

43:15C-1

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2007 **CHAPTER:** 92

NJSA: 43:15C-1 (Implements various recommendations of Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment)

BILL NO: S17 (Substituted for A21)

SPONSOR(S) Codey and Others

DATE INTRODUCED: January 22, 2007

COMMITTEE: **ASSEMBLY:**

SENATE:

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** February 22, 2007

SENATE: January 25, 2007

DATE OF APPROVAL: May 9, 2007

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) (Second reprint enacted)

S17

[SPONSOR'S STATEMENT](#): (Begins on page 57 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: No

FLOOR AMENDMENT STATEMENT: Yes [1-29-07](#)
[2-5-07](#)

LEGISLATIVE FISCAL ESTIMATE: Yes [2-22-07](#)
[3-8-07](#)

A21

[SPONSOR'S STATEMENT](#): (Begins on page 58 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

[GOVERNOR'S PRESS RELEASE ON SIGNING:](#) [Yes](#)

FOLLOWING WERE PRINTED:

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

REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Gov signs tax-reform, pension bill," Home News Tribune, 5-11-07, p.A3

"Officials' pension reforms become law," Courier-Post, 5-11-07, p.7B

"Corzine signs benefit reforms for new officials," The Press, 5-11-07, p.A1

"Benefit reforms approved for elected, appointed officials, Burlington County Times, 5-11-07, p.B2

"Trenton: Law limits pensions, The New York Times (Metro Briefing), 5-11-07, p.6

"Not satisfied yet, Corzine signs public pension law," The Philadelphia Inquirer, 5-11-07, p.B2

"New law will remove many from public pension system," The Record, 5-11-07, p.A03

RWH 4/25/08

Title 43.
Chapter 15C.
(New).
Defined
Contribution
Retirement
Program.
§§1-15 –
C.43:15C-1
to 43:15C-15
§20 –
C.43:15A-7.2
§§21,28 –
C.43:3C-12 &
43:3C-13
§31 –
C.52:14-17.291
§41 - C.43:3C-9.6
§42 –
C.11A:6-19.1
§43 –
C.40A:9-10.2
§44 –
C.18A:30-3.5
§45 –
C.40A:9-10.3
§46 - C.18A:30-9
§47 - Note to
§§42-46
§49 - Note to
§§1-48

P.L. 2007, CHAPTER 92, *approved May 9, 2007*
Senate, No. 17 (*Second Reprint*)

1 **AN ACT** implementing various recommendations of the Joint
2 Legislative Committee on Public Employee Benefits Reform
3 concerning benefits and certain terms and conditions of public
4 office and employment and amending and supplementing various
5 parts of the statutory law.

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

9
10 1. (New section) There is hereby established in the Department
11 of the Treasury a Defined Contribution Retirement Program. The
12 program design shall be one that is permitted for governmental
13 plans under the federal Internal Revenue Code as determined by the

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:

¹Assembly floor amendments adopted January 29, 2007.

²Senate floor amendments adopted February 5, 2007.

1 State Treasurer. The retirement program is deemed to be a pension
2 fund or retirement system for purposes of P.L.1968, c.23 (C.43:3C-
3 1 et seq.). For the purposes of the Defined Contribution Retirement
4 Program:

5 “Base salary” means a participant’s regular base salary. It shall
6 exclude overtime or other forms of extra compensation, including
7 but not limited to, longevity lump sum payments, lump sum
8 terminal sick leave or vacation pay, the value of maintenance,
9 individual pay adjustments made within or at the conclusion of the
10 participant’s final year of service, retroactive salary adjustments or
11 other pay adjustments made in the participant’s final year of service
12 unless the adjustment was made as a result of a general pay
13 adjustment for all personnel of the public office or agency in which
14 the participant is employed, or any unscheduled individual
15 adjustment made in the final year to place the participant at the
16 maximum salary level within salary range.

17 “Employer” means the State or a political subdivision thereof, or
18 an agency, board, commission, authority or instrumentality of the
19 State or a subdivision, that pays the base salary of a participant for
20 services rendered by the participant.

21 “Retirement program” means the Defined Contribution
22 Retirement Program established by this section.

23

24 2. (New section) a. The following persons shall be eligible and
25 shall participate in the Defined Contribution Retirement Program.

26 (1) A person who commences service on or after the effective
27 date of this section of P.L. , c. (C.)(pending before the
28 Legislature as this bill) in an elective public office of this State or
29 of a political subdivision thereof, except that it shall not include a
30 person who holds elective public office on the effective date of this
31 section and is enrolled in the Public Employees’ Retirement System
32 while that person continues to hold that elective public office
33 without a break in service. Service in the Legislature shall be
34 considered a single elective public office.

35 (2) A person who commences service on or after the effective
36 date of this section in an employment, office or position of the State
37 or of a political subdivision thereof, or an agency, board,
38 commission, authority or instrumentality of the State or of a
39 subdivision, pursuant to an appointment by the Governor that
40 requires the advice and consent of the Senate, or pursuant to an
41 appointment by the Governor to serve at the pleasure of the
42 Governor only during his or her term of office. This paragraph
43 shall not be deemed to include a person otherwise eligible for
44 membership in the State Police Retirement System or the Judicial
45 Retirement System.

46 (3) A person who commences service on or after the effective
47 date of this section in an employment, office or position in a
48 political subdivision of the State, or an agency, board, commission,

1 authority or instrumentality of a subdivision, pursuant to an
2 appointment by an elected public official or elected governing
3 body, that requires the specific consent or approval of the elected
4 governing body of the political subdivision that is substantially
5 similar in nature to the advice and consent of the Senate for
6 appointments by the Governor of the State as that similarity is
7 determined by the elected governing body and set forth in an
8 adopted ordinance or resolution, pursuant to guidelines or policy
9 that shall be established by the Local Finance Board in the
10 Department of Community Affairs or the Department of Education,
11 as appropriate to the elected governing body. This paragraph shall
12 not be deemed to include a person otherwise eligible for
13 membership in the Teachers' Pension and Annuity Fund or the
14 Police and Firemen's Retirement System, or a person who is
15 employed or appointed in the regular or normal course of
16 employment or appointment procedures and consented to or
17 approved in a general or routine manner appropriate for and
18 followed by the political subdivision, or the agency, board,
19 commission, authority or instrumentality of a subdivision, or a
20 person who holds a professional license or certificate to perform
21 and is performing as a certified health officer, tax assessor, tax
22 collector, municipal planner, chief financial officer, registered
23 municipal clerk, construction code official, licensed uniform
24 subcode inspector, qualified purchasing agent, or certified public
25 works manager.

26 (4) A person who is granted a pension or retirement allowance
27 under any pension fund or retirement system established under the
28 laws of this State and elects to participate pursuant to section 1 of
29 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

30 b. No person shall be eligible to participate in the retirement
31 program with respect to any public employment, office, or position
32 if:

33 (1) the base salary for that employment, office, or position is
34 less than \$1,500 per year;

35 (2) the person is, on the basis of service in that employment,
36 office, or position, eligible for membership or enrolled as a member
37 of another State or locally-administered pension fund or retirement
38 system established under the laws of this State including the
39 Alternate Benefit Program, except as otherwise specifically
40 provided in subsection a. of this section;

41 (3) the person is receiving a benefit as a retiree from any other
42 State or locally-administered pension fund or retirement system
43 established under the laws of this State, except as provided in
44 section 1 of P.L.1977, c.171 (C.43:3C-3); or

45 (4) the person is an officer or employee of a political
46 subdivision of this State or of a board of education, or of any
47 agency, authority or instrumentality thereof, who is ineligible for
48 membership in the Public Employees' Retirement System pursuant

1 to section 20 of P.L. , c. (C.)(pending before the Legislature
2 as this bill).

3 c. A person eligible and required to participate in the
4 retirement program whose base salary is less than \$5,000 may at the
5 commencement of service in an employment, office or position
6 irrevocably elect to waive participation with regard to that
7 employment, office, or position by filing, at the time and on a form
8 required by the division, a written waiver with the Division of
9 Pensions and Benefits that waives all rights and benefits that would
10 otherwise be provided by the retirement program.

11 d. Service credited to a participant in the Defined Contribution
12 Retirement Program shall not be recognized as service credit to
13 determine eligibility for employer-paid health care benefits in
14 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),
15 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or
16 any other law, rule or regulation.

17

18 3. (New section) a. The employer shall reduce the
19 compensation of each participant in the Defined Contribution
20 Retirement Program and pay over to the plan provider for the
21 benefit of the participant an employee contribution for the
22 retirement benefit contract or contracts equal to 5% of the
23 participant's base salary. At the option and request of a participant,
24 the employer shall reduce the compensation of the participant for
25 additional contributions as permitted by the federal Internal
26 Revenue Code. The intervals for reductions and payments shall be
27 determined by the Division of Pensions and Benefits.

28 All participant contributions shall be made in accordance with
29 section 414(h) of the federal Internal Revenue Code (26 U.S.C.
30 s.414(h)).

31 b. The employer shall make payment of the employer
32 contributions to the program at a rate equal to 3% of the employee's
33 base salary, which moneys shall be paid to the designated provider
34 for the benefit of each participant. Additionally, employers shall
35 pay their share of the administrative costs of the program. The
36 intervals for all payments and the allocation of administrative costs
37 shall be determined by the Division of Pensions and Benefits
38 including due dates and penalties for non compliance.

39 c. No employer contributions shall be vested in a participant
40 until after the participant commences the second year of
41 employment unless the participant, at the time of initial
42 employment, either (1) participates in a program substantially
43 similar to the retirement program, or (2) is a member of another
44 State-administered pension fund or retirement system.

45

46 4. (New section) There is established in, but not of, the
47 Division of Pensions and Benefits in the Department of the
48 Treasury the Defined Contribution Retirement Program Board, that

1 shall consist of the Director of the Division of Pensions and
2 Benefits or a designee; the Director of the Division of Investment or
3 a designee; the Commissioner of the Department of Banking and
4 Insurance or a designee; the Director of the Office of Management
5 and Budget or a designee; and a person appointed by the Director of
6 the Division of Pensions and Benefits who is an active participant
7 or retiree of the Defined Contribution Retirement Program.

8 In order to expedite implementation of the Defined Contribution
9 Retirement Program, the current third party administrator for the
10 New Jersey State Employees Deferred Compensation Program
11 selected through a competitive bidding process may be utilized as
12 the initial provider for a period not to exceed the term of the
13 contract in effect on the effective date of this section of P.L. ,
14 c. (C.) (pending before the Legislature as this bill) including
15 extensions, to administer this program. Subsequent to the initial
16 contract, the Defined Contribution Retirement Program Board shall
17 select through a competitive bidding process a provider licensed or
18 otherwise authorized to transact business in New Jersey. This
19 provider shall be selected by competitive bidding in accordance
20 with all applicable State laws and regulations.

21
22 5. (New section) Participants in the Defined Contribution
23 Retirement Program shall be allowed to allocate their own
24 contributions and the contributions of their employer into
25 investment alternatives as determined by the Defined Contribution
26 Retirement Program Board, including, but not limited, to mutual
27 funds, subject to such rules and regulations as the Division of
28 Pensions and Benefits may adopt, in accordance with all Internal
29 Revenue Code rules and regulations. All moneys which are
30 deferred and deducted in accordance with the provisions of sections
31 1 through 19 of P.L. , c. (C.) (pending before the Legislature
32 as this bill) and the program shall remain assets of the State and
33 shall be invested in accordance with the provisions of this act and
34 the program. The obligation of the State to participating employees
35 and contractors shall be contractual only and no preferred or special
36 interest in the deferred moneys shall accrue to such employees or
37 contractors, except that all assets and income of the program shall
38 be held in trust for the exclusive benefit of participating employees
39 and their beneficiaries.

40
41 6. (New section) a. The retirement program shall, under a
42 group contract or contracts, provide life insurance and provide the
43 option of obtaining disability insurance benefits for all participants
44 in the retirement program on a basis to be determined by the State
45 Treasurer. The State Treasurer is authorized to promulgate
46 appropriate rules and regulations and perform other duties as
47 necessary for the implementation and operation of the program.

48 b. The State Treasurer is hereby authorized to purchase from

1 one or more insurance companies, as the State Treasurer shall
2 determine, group life insurance and disability benefit coverage to
3 provide for the death benefits and disability benefits in the amounts
4 specified in this act. Such group life insurance and disability
5 benefit coverage may be provided under one or more policies issued
6 to the State Treasurer specifically for this purpose or, in the
7 discretion of the State Treasurer, under one or more policies issued
8 to the State Treasurer which provide group life insurance coverage
9 for members of one or more pension funds or retirement systems of
10 the State of New Jersey. Any dividend or retrospective rate credit
11 allowed by an insurance company attributable to the retirement
12 program shall be credited to the funds available to meet the State's
13 obligations under the retirement program.

14 Premiums for such group insurance coverage shall be paid from
15 a special fund, hereby created, called the "Defined Contribution
16 Retirement Program Group Insurance Premium Fund." The State
17 Treasurer shall estimate annually the amount that will be required
18 for premiums for such benefits for the ensuing fiscal year and shall
19 certify such amounts that shall be applied to the total State and
20 other employer contributions due on behalf of the participants in the
21 retirement program from the State and other employers, depositing
22 such amounts in the premium fund. Additionally, employers shall
23 pay their share of the administrative costs of the program. The
24 intervals for all payments and the allocation of administrative costs
25 shall be determined by the Division of Pensions and Benefits
26 including due dates and penalties for non compliance.

27 During the period such group insurance policy or policies are in
28 effect with respect to participants in the retirement program, the
29 State Treasurer shall not commingle moneys in this fund with any
30 funds established under the retirement program.

31 c. A life insurance company shall meet the following
32 requirements in order to provide coverage under this section:

33 (1) be licensed under the laws of the State of New Jersey to
34 transact life and accidental death insurance, and the amount of its
35 group life insurance in the State of New Jersey shall, at the time the
36 insurance is to be purchased, equal at least 1% of the total amount
37 of such group life insurance in the State of New Jersey in all life
38 insurance companies; or

39 (2) come within the exceptions provided in P.L.1968, c.234
40 (C.17:32-16 et seq.).

41

42 7. (New section) The benefit under a group contract or
43 contracts providing life insurance shall be in an amount equal to
44 one and one-half the base annual salary of the participant in the
45 retirement program, except that in the event of death after
46 retirement, the amount payable shall equal 3/16 of the participant's
47 base annual salary. "Base annual salary" means the base salary
48 upon which contributions by the participant and the participant's

1 employer to the retirement program were based during the last year
2 of creditable service.

3 For purposes of this section, a participant shall be deemed to be
4 in service and covered by the group life insurance for a period of
5 official leave of absence without pay when such leave is due to
6 illness or any reason other than illness, with such period to be
7 determined by the Division of Pensions and Benefits, if satisfactory
8 evidence is presented to the division of such official leave of
9 absence. A participant shall be deemed to be on an official leave of
10 absence only if the leave is formally approved by the employer
11 prior to the time the leave commenced and timely notice is filed by
12 the employer with the division. If timely notice is not filed, the
13 employer shall be responsible for the payment of any benefits
14 pursuant to this section if the participant was otherwise eligible for
15 such benefits.

16 In the event of the death of a participant in active service in the
17 first year of participation as a result of an accident met in the actual
18 performance of duty at some definite time and place, the death
19 benefit payable pursuant to this section shall be computed at the
20 annual rate of base salary.

21 No beneficiary of a retired participant shall be entitled to receive
22 the death benefits payable in the event of death after retirement
23 pursuant to this section unless the participant either: had at least 25
24 years of credited participation in the retirement program established
25 pursuant to this act; or had at least 10 years of such credited
26 participation and had attained 60 years of age and was an actively
27 employed participant in the program in the year immediately
28 preceding initial receipt of a retirement annuity.

29
30 8. (New section) Any group life insurance policy or policies
31 shall include, with respect to any insurance terminating or reducing
32 because the participant has ceased to be in service or has retired, the
33 conversion privilege available upon termination of employment as
34 prescribed by the law relating to group life insurance, and shall also
35 include, with respect to life insurance terminating because of
36 termination of the group policy, the conversion privilege available
37 upon termination of the group policy as prescribed by such law.
38 Any such group policy or policies shall also provide that if the
39 participant dies within the 31-day period during which the
40 participant would be entitled to exercise the conversion privilege,
41 the amount of life insurance with respect to which the participant
42 could have exercised the conversion privilege shall be paid as a
43 claim under the group policy. When benefits payable upon the
44 death of a participant following retirement are determined as though
45 the participant had not retired, the death benefits payable under the
46 group policy or policies, together with the amount of life insurance
47 paid under any individual policy obtained under the conversion
48 privilege, shall in no event exceed the amount of insurance for

1 which the participant was insured under the group policy or policies
2 immediately prior to the date the right of conversion arose. If a
3 participant who has exercised the conversion privilege under the
4 group policy or policies while on leave of absence or upon
5 termination of employment again becomes a participant of the
6 retirement program and the individual policy obtained pursuant to
7 the conversion privilege is still in force, the participant shall not
8 again be eligible for any of the group life insurance provided under
9 such policy or policies without furnishing satisfactory evidence of
10 insurability.

11

12 9. (New section) Death benefits under the group life insurance
13 policy or policies shall be paid by the insurance company to such
14 person, if living, as the participant shall have nominated by written
15 designation duly executed and filed with the insurance company
16 through the policyholder, otherwise to the executors or
17 administrators of the participant's estate. A participant may file
18 with the insurance company through the policyholder and alter from
19 time to time during life, as desired, a duly attested written
20 nomination of the payee for the death benefit.

21

22 10. (New section) Any group life insurance policy or policies
23 shall provide that payment of any death benefits payable by the
24 insurance company may be made in one sum directly to the
25 beneficiary as hereinafter provided, in equal installments over a
26 period of years or as a life annuity or in such other manner as may
27 be made available by the insurance company. A participant may
28 make such arrangements for settlement, and may alter from time to
29 time during life any arrangement previously made, by making
30 written request to the insurance company through the policyholder.
31 Upon the death of the participant, a beneficiary to whom a benefit is
32 payable in one sum by the insurance company may likewise arrange
33 for a settlement as described above.

34

35 11. (New section) Any person entitled to become a participant
36 in the retirement program shall not be allowed any of the group life
37 insurance and disability benefits if on the date of filing an
38 application for participation the person is 60 or more years of age,
39 or if the person makes application for participation in the retirement
40 program beyond the year after first becoming eligible for
41 participation, regardless of age, unless the participant furnishes
42 satisfactory evidence of insurability and on the effective date of
43 participation is actively at work and performing all regular duties at
44 the customary place of employment.

45 The effective date of coverage for such benefits shall be the first
46 day of the month which immediately follows the date when such
47 evidence is determined to be satisfactory.

1 Such evidence of insurability shall not be required of any person
2 enrolling in the retirement program upon transfer from another
3 State-administered retirement system, if such retirement system
4 provided a benefit of a similar nature and the transferring person
5 was covered by such a benefit at the time of the transfer. If such
6 transferring person was not covered by such a benefit at the time of
7 the transfer, the person may be allowed the benefit under the group
8 policy or policies; however, any such person shall furnish
9 satisfactory evidence of insurability if he had been unable or failed
10 to give such evidence as a member of the retirement system from
11 which the person transferred.

12 Any person who must furnish satisfactory evidence of
13 insurability under the provisions of this section and who ceases to
14 be a participant in the retirement program without such evidence
15 having been given shall continue to be subject to the same
16 requirement if the person subsequently becomes a participant.

17

18 12. (New section) The designation of a death benefit beneficiary
19 by a participant or retiree shall be made in writing on a form
20 satisfactory to the Division of Pensions and Benefits and filed with
21 the division. The participant or retiree may, from time to time and
22 without the consent of the designee, change the beneficiary by
23 filing a written notice of the change on a satisfactory form. The
24 new nomination shall be effective on the date the notice, in proper
25 form, is received and any prior nomination shall thereupon become
26 void.

27 If more than one beneficiary is nominated and in such
28 nomination the participant or retiree has failed to specify their
29 respective interests, the beneficiaries shall share equally. If any
30 beneficiary predeceases the participant or retiree, the interest of that
31 beneficiary shall terminate and shall be shared equally by such of
32 the beneficiaries as survive the participant or retiree, unless the
33 participant or retiree has made written request to the contrary in the
34 beneficiary nomination.

35 Any amounts due for which there is no beneficiary at the death
36 of a participant, retiree or beneficiary shall be payable to the estate
37 of the participant, retiree or beneficiary.

38 Except with regard to the payment of the group life insurance
39 death benefit upon the death of a retiree, a participant may elect, by
40 making written request, that the whole or any part of the
41 participant's group life insurance death benefits be made payable to
42 the beneficiary either as a life annuity or in equal installments over
43 a period of years specified in such election, and may alter such
44 election from time to time during the participant's lifetime by again
45 making such written request. In the event of a change of
46 beneficiary, any previous arrangement by the participant or retiree
47 under this paragraph shall be void. The election set forth in this
48 paragraph shall not apply or be available when the beneficiary is an

1 estate, or a corporation, partnership, association, institution, trustee,
2 or any fiduciary.

3 If, at the participant's death, an amount of group life insurance
4 death benefit would be payable to the beneficiary in a single sum,
5 any election with regard to such amount that was available to the
6 participant immediately prior to death in accordance with the
7 preceding paragraph shall then be available to such beneficiary for
8 the benefit of the beneficiary.

9 With respect to any death benefits payable on the basis of the
10 individual retirement annuity contract or contracts, all settlement
11 options shall be made available to the participant, retiree or
12 beneficiary as are allowed by the insurer or insurers.

13 The provisions of this section shall be construed separately with
14 respect to each of the death benefits for which a beneficiary is
15 designated by the participant or retiree.

16

17 13. (New section) The disability benefit coverage provided
18 under a group policy or policies shall provide a monthly income if
19 the participant becomes totally disabled from occupational or
20 nonoccupational causes for a period of at least six consecutive
21 months following the effective date of the coverage. The monthly
22 disability benefit may be paid by the insurance company so long as
23 the participant remains disabled up to the seventieth birthday,
24 provided the disability commenced prior to the sixtieth birthday.
25 The benefit shall terminate when the participant is no longer
26 considered totally disabled or begins to receive retirement benefits.

27 The participant shall be considered totally disabled if the
28 participant is unable to perform each duty of the participant's
29 occupation and is under the regular care of a physician. After the
30 24 months following the commencement of such disability benefit
31 payments, the participant shall be unable to engage in any gainful
32 occupation for which the participant is reasonably fitted by
33 education, training or experience. Total disability shall not be
34 considered to exist if the participant is gainfully employed.
35 Following an agreement with the insurance company and the
36 policyholder, the participant may continue to receive disability
37 benefits for a limited time while performing some type of work.
38 During the period of rehabilitation, the monthly benefit shall be the
39 regular payment less 80% of the participant's earnings from such
40 rehabilitative position.

41 A participant shall be deemed to be in service and covered by the
42 disability benefit insurance provisions for a period of no more than
43 six months while on official leave of absence without pay if
44 satisfactory evidence is presented to the Division of Pensions and
45 Benefits that such leave of absence without pay is due to illness and
46 that the participant was not actively engaged in any gainful
47 occupation during such period of leave of absence without pay.

1 Disability benefit insurance provisions of the group policy or
2 policies shall not cover disability resulting from or contributed to
3 by pregnancy, act of war, intentionally self-inflicted injury, or
4 attempted suicide whether or not sane. For purposes of such
5 disability benefit coverage, the participant shall not be considered
6 to be disabled while the participant is imprisoned or while outside
7 the United States, its territories or possessions, or Canada.

8 If the participant has recovered from the disability for which the
9 member had received benefits and again becomes totally disabled
10 while insured, the later disability shall be regarded as a continuation
11 of the prior one unless the participant has returned to full-time
12 covered employment for at least six months. If the later absence is
13 due to an unrelated cause and the participant had returned to full-
14 time work, it shall be considered a new disability. The disability
15 benefit insurance cannot be converted to an individual policy.

16 No participant shall be covered by the disability benefit
17 provision of the group policy or policies except upon the
18 completion of one year of full-time continuous employment in a
19 position eligible for participation in the Defined Contribution
20 Retirement Program.

21

22 14. (New section) The disability benefit provided under a group
23 policy or policies shall be in an amount equal to 60% of the
24 participant's base monthly salary, reduced by periodic benefits to
25 which the participant may be entitled during the period of total
26 disability.

27 The periodic benefit by which the monthly disability benefit may
28 be reduced shall include salary or wages, retirement benefits or
29 benefits from any source for which the State or other public
30 employer has paid any part of the cost or made payroll deductions,
31 Social Security disability or other benefits, including dependents'
32 benefits, and benefits paid by Social Security at the option of the
33 participant before the age of 65, but not including any increase in
34 Social Security benefits enacted after the disability benefit under
35 such group policy or policies have commenced, and any other
36 periodic benefits provided by law except on account of military
37 service.

38 When a participant begins to receive a disability benefit under
39 such group policy or policies, the insurance company shall pay an
40 amount equal to the employee contribution which would have been
41 required of the participant and deducted from the participant's base
42 salary in order to meet the participant's obligation for the program.
43 Such amount shall be paid by the insurance company without
44 reduction by any other periodic benefit which the participant is
45 eligible to receive. Such amount shall be paid by the insurance
46 company to the insurer or insurers for the participant's retirement
47 annuity.

1 Premiums for such disability coverage shall be paid from a
2 special fund, hereby created, called the “Defined Contribution
3 Retirement Program Disability Premium Fund.” The State
4 Treasurer shall estimate annually the amount that will be required
5 for premiums for such benefits for the ensuing fiscal year and shall
6 certify such amounts that shall be applied to the total State and
7 other employer contributions due on behalf of the participants in the
8 retirement program from the State and other employers, depositing
9 such amounts in the premium fund. Additionally, employers will
10 pay their share of the administrative costs of the program. The
11 intervals for all payments and the allocation of administrative costs
12 shall be determined by the Division of Pensions and Benefits
13 including due dates and penalties for non compliance.
14

15 15. (New section) Notwithstanding any other provision of law,
16 an insurance company or companies issuing such policy or policies
17 may credit the policyholder either directly or in the form of reduced
18 premiums, with savings by the company or companies in the event
19 that no brokerage commission or commissions are paid by the
20 company or companies on the issuance of such policy or policies.

21 No employer obligations shall be paid when the participant is on
22 a leave of absence without pay or when the participant no longer is
23 enrolled in the retirement program.

24 The group disability insurance policy or policies shall provide a
25 participant with an opportunity to purchase additional coverage.

26 A participant who is disabled and receiving a benefit shall
27 remain eligible for employer-provided healthcare benefits coverage
28 in the same manner as such coverage is provided by the employer to
29 retirees of the retirement system.
30

31 16. Section 1 of P.L.1986, c.188 (C.43:3C-9) is amended to read
32 as follows:

33 1. The mandatory contributions by members or participants to
34 the Teachers’ Pension and Annuity Fund required by N.J.S.18A:66-
35 31, to alternate benefit providers under the alternate benefit
36 program required by section 8 of P.L.1969, c.242 (C.18A:66-174),
37 to the Judicial Retirement System required by section 26 of
38 P.L.1981, c.470 (C.43:6A-34.1), to the Prison Officers’ Pension
39 Fund required by section 7 of P.L.1941, c.220 (C.43:7-13), to the
40 Public Employees’ Retirement System required by section 25 of
41 P.L.1954, c.84 (C.43:15A-25), to the Defined Contribution
42 Retirement Program required by section 3 of P.L. , c. (C.)
43 (pending before the Legislature as this bill), to the Consolidated
44 Police and Firemen’s Pension Fund required by R.S.43:16-5, to the
45 Police and Firemen’s Retirement System required by section 15 of
46 P.L.1944, c.255 (C.43:16A-15), and to the State Police Retirement
47 System required by section 38 of P.L.1965, c.89 (C.53:5A-38), shall
48 be picked up by their employers and shall be treated as employer

1 contributions as provided by section 414(h) of the United States
2 Internal Revenue Code. The amount of contributions on behalf of
3 each member shall continue to be included as regular compensation
4 for all other purposes, except that the amount shall not be included
5 in the computation of federal income taxes withheld from the
6 member's compensation.
7 (cf: P.L.1993, c.385, s.12)

8
9 17. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
10 as follows:

11 7. There is hereby established the Public Employees'
12 Retirement System of New Jersey in the Division of Pensions and
13 Benefits of the Department of the Treasury. The membership of the
14 retirement system shall include:

15 a. The members of the former "State Employees' Retirement
16 System of New Jersey" enrolled as such as of December 30, 1954,
17 who shall not have claimed for refund their accumulated deductions
18 in said system as provided in this section;

19 b. Any person becoming an employee of the State or other
20 employer after January 2, 1955 and every veteran, other than a
21 retired member who returns to service pursuant to subsection b. of
22 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
23 whose appointments are seasonal, becoming an employee of the
24 State or other employer after such date, including a temporary
25 employee with at least one year's continuous service. The
26 membership of the retirement system shall not include those
27 persons appointed to serve as described in paragraphs (2) and (3) of
28 subsection a. of section 2 of P.L. , c. (C.)(pending before
29 the Legislature as this bill), except a person who was a member of
30 the retirement system prior to the effective date of sections 1
31 through 19 of P.L. , c. (C.)(pending before the Legislature
32 as this bill) and continuously thereafter; and

33 c. Every employee veteran in the employ of the State or other
34 employer on January 2, 1955, who is not a member of any
35 retirement system supported wholly or partly by the State.

36 d. Membership in the retirement system shall be optional for
37 elected officials other than veterans, and for school crossing guards,
38 who having become eligible for benefits under other pension
39 systems are so employed on a part-time basis. Elected officials
40 commencing service on or after the effective date of sections 1
41 through 19 of P.L. , c. (C.)(pending before the Legislature
42 as this bill) shall not be eligible for membership in the retirement
43 system based on service in the elective public office, except that an
44 elected official enrolled in the retirement system as of that effective
45 date who continues to hold that elective public office without a
46 break in service shall be eligible to continue membership in the
47 retirement system under the terms and conditions of enrollment.
48 Service in the Legislature shall be considered a single elective

1 public office. Any [such] part-time school crossing guard who is
2 eligible for benefits under any other pension system and who was
3 hired as a part-time school crossing guard prior to March 4, 1976,
4 may at any time terminate his membership in the retirement system
5 by making an application in writing to the board of trustees of the
6 retirement system. Upon receiving such application, the board of
7 trustees shall terminate his enrollment in the system and direct the
8 employer to cease accepting contributions from the member or
9 deducting from the compensation paid to the member. State
10 employees who become members of any other retirement system
11 supported wholly or partly by the State as a condition of
12 employment shall not be eligible for membership in this retirement
13 system. Notwithstanding any other law to the contrary, all other
14 persons accepting employment in the service of the State shall be
15 required to enroll in the retirement system as a condition of their
16 employment, regardless of age. No person in employment, office or
17 position, for which the annual salary or remuneration is fixed at less
18 than \$1,500.00, shall be eligible to become a member of the
19 retirement system.

20 e. Membership of any person in the retirement system shall
21 cease if he shall discontinue his service for more than two
22 consecutive years.

23 f. The accumulated deductions of the members of the former
24 "State Employees' Retirement System" which have been set aside
25 in a trust fund designated as Fund A as provided in section 5 of this
26 act and which have not been claimed for refund prior to February 1,
27 1955 shall be transferred from said Fund A to the Annuity Savings
28 Fund of the Retirement System, provided for in section 25 of this
29 act. Each member whose accumulated deductions are so transferred
30 shall receive the same prior service credit, pension credit, and
31 membership credit in the retirement system as he previously had in
32 the former "State Employees' Retirement System" and shall have
33 such accumulated deductions credited to his individual account in
34 the Annuity Savings Fund. Any outstanding obligations of such
35 member shall be continued.

36 g. Any school crossing guard electing to terminate his
37 membership in the retirement system pursuant to subsection d. of
38 this section shall, upon his request, receive a refund of his
39 accumulated deductions as of the date of his appointment to the
40 position of school crossing guard. Such refund of contributions
41 shall serve as a waiver of all benefits payable to the employee, to
42 his dependent or dependents, or to any of his beneficiaries under the
43 retirement system.

44 h. A temporary employee who is employed under the federal
45 **[Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C. s.1501)]**
46 Workforce Investment Act shall not be eligible for membership in
47 the system. Membership for temporary employees employed under
48 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.

1 s.1501) who are in the system on September 19, 1986 shall be
2 terminated, and affected employees shall receive a refund of their
3 accumulated deductions as of the date of commencement of
4 employment in a federal Job Training Partnership Act program.
5 Such refund of contributions shall serve as a waiver of all benefits
6 payable to the employee, to his dependent or dependents, or to any
7 of his beneficiaries under the retirement system.

8 i. Membership in the retirement system shall be optional for a
9 special service employee who is employed under the federal Older
10 American Community Service Employment Act, Pub.L.94-135 (42
11 U.S.C. s.3056). Any special service employee employed under the
12 federal Older American Community Service Employment Act,
13 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
14 on the effective date of P.L.1996, c.139 may terminate membership
15 in the retirement system by making an application in writing to the
16 board of trustees of the retirement system. Upon receiving the
17 application, the board shall terminate enrollment in the system and
18 the member shall receive a refund of accumulated deductions as of
19 the date of commencement of employment in a federal Older
20 American Community Service Employment Act program. This
21 refund of contributions shall serve as a waiver of all benefits
22 payable to the employee, to any dependent or dependents, or to any
23 beneficiary under the retirement system.

24 j. An employee of the South Jersey Port Corporation who was
25 employed by the South Jersey Port Corporation as of the effective
26 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
27 employed within 365 days of such effective date by a subsidiary
28 corporation or other corporation, which has been established by the
29 Delaware River Port Authority pursuant to subdivision (m) of
30 Article I of the compact creating the Delaware River Port Authority
31 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
32 146), shall be eligible to continue membership while an employee
33 of such subsidiary or other corporation.
34 (cf: P.L.1997, c.150, s.23)

35
36 18. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
37 read as follows:

38 75. (a) If this act is so adopted it shall become effective in the
39 county or municipality adopting it on June 30 of the following year.
40 Membership in the Public Employees' Retirement System shall be
41 optional with the employees of the county, board of education or
42 municipality in the service on the day the act becomes effective or
43 on June 30, 1966, whichever is earlier, in such county, board of
44 education or municipality except in the case of public employee
45 veterans who on such date are members. An employee who elects
46 to become a member within one year after this act so takes effect
47 shall be entitled to prior service covering service rendered to the
48 county, board of education or municipality prior to July 1, 1966 or

1 prior to the date this act so becomes effective, whichever is earlier.
2 Membership shall be compulsory for all employees entering the
3 service of the county, board of education or municipality on July 1,
4 1966 or after the date this act becomes effective, whichever is
5 earlier. Where any such employee entering the service of the
6 county, board of education of education or municipality after the
7 date this act so becomes effective has had prior service for which
8 evidence satisfactory to the retirement system is presented, as an
9 employee in such county, board of education or municipality before
10 the date upon which this act so becomes effective, or July 1, 1966,
11 whichever is earlier, such employee shall be entitled to prior service
12 covering service rendered to the county, board of education or
13 municipality prior to the date this act so becomes effective, or July
14 1, 1966, whichever is earlier.

15 (b) Notwithstanding the provisions of section 74 of this act and
16 subsection (a) of this section, every person, other than a non-veteran
17 elected official, becoming an employee of a county, board of
18 education, municipality or school district after June 30, 1966, who
19 is not eligible to become a member of another retirement system,
20 shall be required to become a member of the Public Employees'
21 Retirement System. Notwithstanding the provisions of section 74
22 of this act and subsection (a) of this section, membership in the
23 retirement system shall be optional with any elected official who is
24 not a veteran, regardless of the date he assumes office, and with any
25 other person in the employ of any county, board of education,
26 municipality or school district on June 30, 1966, provided such
27 elected official or other person is not then a member and is not
28 required to be a member of the retirement system pursuant to
29 another provision of this act, and provided further that such person
30 is not eligible to be a member of another retirement system.
31 Elected officials commencing service on or after the effective date
32 of sections 1 through 19 of P.L. , c. (C.) (pending before
33 Legislature as this bill) shall not be eligible for membership in the
34 retirement system based on service in the elective public office,
35 except that an elected official enrolled in the retirement system as
36 of that effective date who continues to hold that elective public
37 office without a break in service shall be eligible to continue
38 membership in the retirement system under the terms and
39 conditions of enrollment.

40 The provisions of this subsection shall not apply to any person
41 whose position is temporary or seasonal, nor to any person in
42 office, position or employment for which the annual salary or
43 remuneration is fixed at less than \$1,500.00, nor to any person
44 whose position is not covered by the old age and survivors'
45 insurance provisions of the federal Social Security Act. No credit
46 shall be allowed to any person becoming a member of the
47 retirement system pursuant to this subsection for service rendered to
48 the employer prior to July 1, 1966, until the provisions of section 74

1 of this act have been complied with, in which event such credit
2 shall be allowed in accordance with the provisions of subsection (a)
3 of this section; except that the governing body of any county, board
4 of education or municipality may, by resolution, consent to the
5 allowance of such credit and file a certified copy of such resolution
6 with the board of trustees of the Public Employees' Retirement
7 System.

8 (cf: P.L.1986, c.139, s.4)

9

10 19. Section 1 of P.L.1972, c.167 (C.43:15A-135) is amended to
11 read as follows:

12 1. **【Notwithstanding the provisions of P.L.1954, c. 84, s. 7d (C.**
13 **43:15A-7d), all members of the Legislature shall become members**
14 **of the retirement system, subject to all benefits and requirements of**
15 **membership】 Members of the Legislature commencing service on**
16 **or after the effective date of sections 1 through 19 of P.L. _____,**
17 **c. (C. _____) (pending before the Legislature as this bill) shall not be**
18 **eligible for membership in the retirement system based on service**
19 **in that elective office. A member of the Legislature enrolled in the**
20 **retirement system as of that effective date who continues to hold**
21 **office as a member of the Legislature without a break in service**
22 **shall be eligible to continue membership in the retirement system**
23 **under the terms and conditions of the member's enrollment.**

24 (cf: P.L.1972, c.167, s.1)

25

26 20. (New section) a. A person who performs professional
27 services for a political subdivision of this State or of a board of
28 education, or of any agency, authority or instrumentality thereof,
29 under a professional services contract awarded in accordance with
30 section 5 of P.L.1971, c.198 (C.40A:11-5), N.J.S.18A:18A-5 or
31 section 5 of P.L.1982, c.189 (C.18A:64A-25.5), on the basis of
32 performance of the contract, shall not be eligible for membership in
33 the Public Employees' Retirement System. A person who is a
34 member of the retirement system as of the effective date of P.L. _____,
35 c. (C. _____)(pending before the Legislature as this bill) shall not
36 accrue service credit on the basis of that performance following the
37 expiration of an agreement or contract in effect on the effective
38 date. Nothing contained in this paragraph shall be construed as
39 affecting the provisions of any agreement or contract in effect on
40 the effective date of P.L. _____, c. (C. _____)(pending before the
41 Legislature as this bill), whether or not the agreement or contract
42 specifically provides by its terms for membership in the retirement
43 system. No renewal, extension, modification, or other agreement or
44 action to continue any professional services contract in effect on the
45 effective date of P.L. _____, c. (C. _____)(pending before the Legislature
46 as this bill) beyond its current term shall have the effect of
47 continuing the membership of a person in the retirement system or

1 continuing the accrual of service credit on the basis of performance
2 of the contract.

3 b. ¹ [A person who performs professional services as a part-
4 time officer or employee of a political subdivision of this State or of
5 a board of education, or of any agency, authority or instrumentality
6 thereof, and who is concurrently the sole proprietor, owner, partner,
7 associate, officer or employee of a business entity, or who
8 concurrently owns or controls more than 1% of the stock of a
9 corporation, which is primarily engaged on a full-time basis in
10 providing professional services of substantially the same type or
11 nature to public entities or to a business entity or business entities,
12 shall not be eligible, on the basis of performance of those
13 professional services as a public officer or employee, for
14 membership in the Public Employees' Retirement System. A
15 person who is a member of the retirement system on the effective
16 date of P.L. , c. (C.) (pending before the Legislature as this
17 bill) shall not accrue service credit on the basis of that performance
18 following the expiration of an agreement or contract in effect on the
19 effective date.

20 Nothing contained in this subsection shall be construed as
21 affecting the provisions of any agreement or contract of
22 employment in effect on the effective date of P.L. , c. (C.)
23 (pending before the Legislature as this bill), whether or not the
24 agreement or contract specifically provides by its terms for
25 membership in the retirement system. No renewal, extension,
26 modification, or other agreement or action to continue any such
27 agreement or contract in effect on the effective date of P.L. ,
28 c. (C.) (pending before the Legislature as this bill) beyond its
29 current term shall have the effect of continuing the membership of a
30 person in the retirement system or continuing the accrual of service
31 credit on the basis of performance of the agreement or contract.

32 As used in this subsection, "business entity" means any natural
33 or legal person, business corporation, professional services
34 corporation, limited liability company, partnership, limited
35 partnership, business trust, association or any other legal
36 commercial entity organized under the laws of this State or of any
37 other state or foreign jurisdiction; and "part-time" means less than
38 35 hours per week.

39 As used in this subsection, the term "professional services" shall
40 have the meaning set forth in section 2 of P.L.1971, c.198
41 (C.40A:11-2), except that it shall not include a service provided by
42 a part-time officer or employee who holds a professional license or
43 certificate to perform and is performing as a certified health officer,
44 tax assessor, tax collector, municipal planner, chief financial
45 officer, registered municipal clerk, construction code official,
46 licensed uniform subcode inspector, qualified purchasing agent, or
47 certified public works manager.] A person who performs
48 professional services for a political subdivision of this State or of a

1 board of education, or of any agency, authority or instrumentality
2 thereof, shall not be eligible, on the basis of performance of those
3 professional services, for membership in the Public Employees'
4 Retirement System, if the person meets the definition of
5 independent contractor as set forth in regulation or policy of the
6 federal Internal Revenue Service for the purposes of the Internal
7 Revenue Code. Such a person who is a member of the retirement
8 system on the effective date of P.L. , c. (C.)(pending before
9 the Legislature as this bill) shall not accrue service credit on the
10 basis of that performance following the expiration of an agreement
11 or contract in effect on the effective date.

12 Nothing contained in this subsection shall be construed as
13 affecting the provisions of any agreement or contract of
14 employment in effect on the effective date of P.L. , c. (C.)
15 (pending before the Legislature as this bill), whether or not the
16 agreement or contract specifically provides by its terms for
17 membership in the retirement system. No renewal, extension,
18 modification, or other agreement or action to continue any such
19 agreement or contract in effect on the effective date of P.L. ,
20 c. (C.) (pending before the Legislature as this bill) beyond its
21 current term shall have the effect of continuing the membership of a
22 person in the retirement system or continuing the accrual of service
23 credit on the basis of performance of the agreement or contract.

24 As used in this subsection, the term "professional services" shall
25 have the meaning set forth in section 2 of P.L.1971, c.198
26 (C.40A:11-2).¹

27
28 21. (New section) a. With respect to all claims for benefits
29 under the Teachers' Pension and Annuity Fund, the Public
30 Employees' Retirement System, the Judicial Retirement System, the
31 Police and Firemen's Retirement System, or the State Police
32 Retirement System submitted on or after the effective date of
33 P.L. , c. (C.)(pending before the Legislature as this bill),
34 the Division of Pensions and Benefits shall investigate increases in
35 compensation reported for credit that exceed reasonably anticipated
36 annual compensation increases for members of the retirement
37 system based upon consideration of the Consumer Price Index for
38 the time period of the increases, the table of assumed salary
39 increases recommended by the system's actuary and adopted by the
40 board of trustees of the retirement system, and the annual
41 percentage increases of salaries as indicated in data from the Public
42 Employment Relations Commission established pursuant to
43 P.L.1941, c.100 (C.34:13A-1 et seq.) or through other reliable
44 industry sources of information regarding average annual salary
45 increases.

46 b. Those cases in which a violation of the relevant statute or
47 regulation is suspected shall be referred to the board of trustees of
48 the relevant retirement system for further action.

1 22. Section 2 of P.L.2001, c.259 (C.43:15A-143) is amended to
2 read as follows:

3 2. Notwithstanding the provisions of any other law, workers
4 compensation judges shall be members of the Workers
5 Compensation Judges Part, established pursuant to this act,
6 P.L.2001, c.259 (C.43:15A-142 et seq.), of the Public Employees'
7 Retirement System, established pursuant to P.L.1954, c.84
8 (C.43:15A-1 et seq.), if enrolled in the part prior to the effective
9 date of P.L. _____, c. (C. _____)(pending before the Legislature as this
10 bill) and shall be subject to the same membership and benefit
11 provisions as State employees, except as provided by P.L.2001,
12 c.259. Membership in the retirement system shall be a condition of
13 employment for service as a judge of compensation for a judge
14 enrolled in the part prior to the effective date of P.L. _____,
15 c. (C. _____) (pending before the Legislature as this bill).

16 A workers compensation judge who becomes a member of the
17 retirement system on or after the effective date of P.L. _____,
18 c. (C. _____)(pending before the Legislature as this bill) shall not
19 be a member of the Workers Compensation Judges Part and the
20 provisions of P.L.2001, c.259 (C.43:15A-142 et seq.) shall not
21 apply to such judge or the judge's survivors.

22 (cf: P.L.2001, c.259, s.2)

23

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

26 15. (1) The contributions required for the support of the
27 retirement system shall be made by members and their employers.

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

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

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

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

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

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

47 (8) The deductions provided for herein shall be made
48 notwithstanding that the minimum salary provided for by law for

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 (4) for valuation periods ending **[on or after]** June 30, 2003
40 through June 30, 2007, to the extent possible by up to 50% of the
41 excess valuation assets allocated to the State or to the other
42 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

1 the State Treasurer may reduce further pursuant to the provisions of
2 the previous paragraph the normal contribution payable by such
3 employers for that valuation period.

4 As of the valuation report in which the funded level is in excess
5 of 104%, an amount equal to the present value of the future normal
6 contributions for the benefits provided by P.L.2003, c.108 as
7 amending section 16 of P.L.1964, c.241 (C.43:16A-11.1), shall be
8 credited to the benefit enhancement fund. If there are excess
9 valuation assets after reductions in normal contributions as
10 authorized in the preceding paragraphs, for a valuation period
11 beginning with the valuation period in which the benefits provided
12 by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by
13 P.L.2003, c.108 apply, an amount of excess valuation assets not to
14 exceed the amount of the member contributions for the fiscal year
15 in which the normal contributions are payable shall be credited to
16 the benefit enhancement fund. The amount of excess valuation
17 assets credited to the benefit enhancement fund shall not exceed the
18 present value of the expected additional normal and accrued
19 liability contributions attributable to the provisions of section 16 of
20 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108,
21 payable on behalf of the active members over the expected working
22 lives of the active members in accordance with the tables of
23 actuarial assumptions for the valuation period. No additional
24 excess valuation assets shall be credited to the benefit enhancement
25 fund after the maximum amount is attained. Interest shall be
26 credited to the benefit enhancement fund.

27 The normal and accrued liability contributions for the increased
28 benefits for active employees under section 16 of P.L.1964, c.241
29 (C.43:16A-11.1), as amended by P.L.2003, c.108, shall be paid
30 from the benefit enhancement fund. If assets in the benefit
31 enhancement fund are insufficient to pay the normal and accrued
32 liability contributions for the increased benefits for a valuation
33 period, the retirement system shall pay the amount of normal and
34 accrued liability contributions for the increased benefits not covered
35 by assets from the benefit enhancement fund.

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

41 Notwithstanding the preceding sentence, the normal and accrued
42 liability contributions to be included in the budget of and paid by
43 the employer other than the State shall be as follows: for the
44 payment due in the State fiscal year ending on June 30, 2004, 20%
45 of the amount certified by the retirement system; for the payment
46 due in the State fiscal year ending on June 30, 2005, a percentage of
47 the amount certified by the retirement system as the State Treasurer
48 shall determine but not more than 40%; for the payment due in the

1 State fiscal year ending on June 30, 2006, a percentage of the
2 amount certified by the retirement system as the State Treasurer
3 shall determine but not more than 60%; and for the payment due in
4 the State fiscal year ending on June 30, 2007, a percentage of the
5 amount certified by the retirement system as the State Treasurer
6 shall determine but not more than 80%.

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

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

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

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

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

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

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

46 (15) If the valuation assets are insufficient to fund the normal
47 and accrued liability costs attributable to P.L.1999, c.428
48 (C.43:16A-15.8 et al.) as provided hereinabove, the normal and

1 unfunded accrued liability contributions required to fund these costs
2 for the State and other employers shall be paid by the State.

3 (16) The savings realized as a result of the amendments to this
4 section by P.L.2001, c.44 in the payment of normal contributions
5 computed by the actuary for the valuation periods ending June 30,
6 1998 for employers other than the State shall be used solely and
7 exclusively by a county or municipality for the purpose of reducing
8 the amount that is required to be raised by the local property tax
9 levy by the county for county purposes or by the municipality for
10 municipal purposes, as appropriate. The Director of the Division of
11 Local Government Services in the Department of Community
12 Affairs shall certify for each year that each county or municipality
13 has complied with the requirements set forth herein. If the director
14 finds that a county or municipality has not used the savings solely
15 and exclusively for the purpose of reducing the amount that is
16 required to be raised by the local property tax levy by the county for
17 county purposes or by the municipality for municipal purposes, as
18 appropriate, the director shall direct the county or municipal
19 governing body, as appropriate, to make corrections to its budget.
20 (cf: P.L.2003, c.108, s.3)

21

22 24. N.J.S.18A:66-18 is amended to read as follows:

23 18A:66-18. The contingent reserve fund shall be the fund in
24 which shall be credited contributions made by the State and other
25 employers.

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

34 b. 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 annually determine if there is an amount of the
37 accrued liability of the retirement system, computed under the
38 projected unit credit method, including the liability for pension
39 adjustment benefits for active employees funded pursuant to section
40 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
41 by the assets of the retirement system, valued in accordance with
42 the asset valuation method established in this section. This shall be
43 known as the "unfunded accrued liability." If there was no
44 unfunded accrued liability for the valuation period immediately
45 preceding the current valuation period, the actuary, using the total
46 amount of this unfunded accrued liability, shall compute the initial
47 amount of contribution which, if the contribution is increased at a
48 specific rate and paid annually for a specific period of time, will

1 amortize this liability. The State Treasurer shall determine, upon
2 the advice of the Director of the Division of Pensions and Benefits,
3 the board of trustees and the actuary, the rate of increase for the
4 contribution and the time period for full funding of this liability,
5 which shall not exceed 30 years. This shall be known as the
6 “accrued liability contribution.” Thereafter, any increase or
7 decrease in the unfunded accrued liability as a result of actuarial
8 losses or gains for subsequent valuation years shall serve to increase
9 or 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. The State may pay all or any portion of its unfunded
17 accrued liability under the retirement system from any source of
18 funds legally available for the purpose, including, without
19 limitation, the proceeds of bonds authorized by law for this purpose.

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

39 “Excess valuation assets” for a valuation period means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 (cf: P.L.2001, c.133, s.2)

45

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

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

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

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

1 “valuation assets.” Notwithstanding the first sentence of this
2 paragraph, the valuation assets for the valuation period ending June
3 30, 1996 shall be the full market value of the assets as of that date
4 and shall include the proceeds from the bonds issued pursuant to the
5 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
6 7.45 et seq.), paid to the system by the New Jersey Economic
7 Development Authority to fund the unfunded accrued liability of
8 the system.

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

24 (1) for valuation periods ending June 30, 1997 through June 30,
25 2001, to the extent possible by up to 100% of the excess valuation
26 assets;

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

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

31 (4) for valuation periods ending **[on or after]** June 30, 2004
32 through June 30, 2007, to the extent possible by up to 50% of the
33 excess valuation assets.

34 c. The actuary shall certify annually the aggregate amount
35 payable to the contingent reserve fund in the ensuing year, which
36 amount shall be equal to the sum of the amounts described in this
37 section. The State shall pay into the contingent reserve fund during
38 the ensuing year the amount so determined.

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

43 d. (Deleted by amendment, P.L.1992, c.125.)
44 (cf: P.L.1997, c.115, s.3)

45
46 26. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to
47 read as follows:

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

3 a. Upon the basis of the tables recommended by the actuary
4 which the board adopts and regular interest, the actuary shall
5 compute annually, beginning as of March 31, 1992, the amount of
6 contribution which shall be the normal cost as computed under the
7 projected unit credit method attributable to service rendered under
8 the retirement system for the year beginning on July 1 immediately
9 succeeding the date of the computation. This shall be known as the
10 “normal contribution.”

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

44 With respect to the State, upon the basis of the tables
45 recommended by the actuary which the commission adopts and
46 regular interest, the actuary shall annually determine if there is an
47 amount of the accrued liability of the retirement system, computed
48 under the projected unit credit method, 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 the contribution is increased at a
8 specific rate and paid annually for a specific period of time, will
9 amortize this liability. The State Treasurer shall determine, upon
10 the advice of the Director of the Division of Pensions and Benefits,
11 the commission and the actuary, the rate of increase for the
12 contribution and the time period for full funding of this liability,
13 which shall not exceed 30 years. This shall be known as the
14 “accrued liability contribution.” Thereafter, any increase or
15 decrease in the unfunded accrued liability as a result of actuarial
16 losses or gains for subsequent valuation years shall serve to increase
17 or decrease, respectively, the amortization period for the unfunded
18 accrued liability, unless an increase in the amortization period will
19 cause it to exceed 30 years. If an increase in the amortization
20 period as a result of actuarial losses for a valuation year would
21 exceed 30 years, the accrued liability contribution shall be
22 computed for the valuation year in the same manner provided for
23 the computation of the initial accrued liability contribution under
24 this section. The State may pay all or any portion of its unfunded
25 accrued liability under the retirement system from any source of
26 funds legally available for the purpose, including, without
27 limitation, the proceeds of bonds authorized by law for this purpose.

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

1 “Excess valuation assets” for a valuation period means, with
2 respect to the valuation assets allocated to the State:

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

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

6 (3) the contributory group insurance premium fund, created by
7 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
8 4 of P.L.1960, c.79; less

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

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

19 “Excess valuation assets” for a valuation period means, with
20 respect to the valuation assets allocated to other employers:

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

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

28 (3) the contributory group insurance premium fund, created by
29 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
30 4 of P.L.1960, c.79; less

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

39 If there are excess valuation assets allocated to the State or to the
40 other employers for the valuation period ending March 31, 1996,
41 the normal contributions payable by the State or by the other
42 employers for the valuation periods ending March 31, 1996 and
43 March 31, 1997 which have not yet been paid to the retirement
44 system shall be reduced to the extent possible by the excess
45 valuation assets allocated to the State or to the other employers,
46 respectively, provided that with respect to the excess valuation
47 assets allocated to the State, the General Fund balances that would
48 have been paid to the retirement system except for this provision

1 shall first be allocated as State aid to public schools to the extent
2 that additional sums are required to comply with the May 14, 1997
3 decision of the New Jersey Supreme Court in Abbott v. Burke. If
4 there are excess valuation assets allocated to the State or to the
5 other employers for a valuation period ending after March 31, 1996,
6 the State Treasurer may reduce the normal contribution payable by
7 the State or by the other employers for the next valuation period as
8 follows:

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

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

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

19 (4) for valuation periods ending **[on or after]** March 31, 2004
20 through June 30, 2007, to the extent possible by up to 50% of the
21 excess valuation assets allocated to the State or to the other
22 employers, respectively.

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

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

1 amount of excess valuation assets credited to the benefit
2 enhancement fund shall not exceed the present value of the
3 expected additional normal contributions attributable to the
4 provisions of P.L.2001, c.133 payable on behalf of the active
5 members over the expected working lives of the active members in
6 accordance with the tables of actuarial assumptions for the
7 valuation period. No additional excess valuation assets shall be
8 credited to the benefit enhancement fund after the maximum
9 amount is attained. Interest shall be credited to the benefit
10 enhancement fund as provided under section 33 of P.L.1954, c.84
11 (C.43:15A-33).

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

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

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

33 The State shall pay into the contingent reserve fund during the
34 ensuing year the amount so determined. The death benefits,
35 payable as a result of contribution by the State under the provisions
36 of this chapter upon the death of an active or retired member, shall
37 be paid from the contingent reserve fund.

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

41 (cf: P.L.2003, c.108, s.1)

42

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

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

47 a. Upon the basis of the tables recommended by the actuary
48 which the board adopts and regular interest, the actuary shall

1 compute annually, beginning as of June 30, 1992, the amount of the
2 contribution which shall be the normal cost as computed under the
3 projected unit credit method attributable to service rendered under
4 the retirement system for the year beginning on July 1 immediately
5 succeeding the date of the computation. This shall be known as the
6 “normal contribution.”

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

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

1 paragraph, the valuation assets for the valuation period ending June
2 30, 1996 shall be the full market value of the assets as of that date
3 and shall include the proceeds from the bonds issued pursuant to the
4 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
5 7.45 et seq.), paid to the system by the New Jersey Economic
6 Development Authority to fund the unfunded accrued liability of
7 the system.

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

23 (1) for valuation periods ending June 30, 1997 through June 30,
24 2001, to the extent possible by up to 100% of the excess valuation
25 assets;

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

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

30 (4) for valuation periods ending **[on or after]** June 30, 2004
31 through June 30, 2007, to the extent possible by up to 50% of the
32 excess valuation assets.

33 c. The actuary shall certify annually the aggregate amount
34 payable to the Contingent Reserve Fund in the ensuing year, which
35 amount shall be equal to the sum of the amounts described in this
36 section. The State shall pay into the Contingent Reserve Fund
37 during the ensuing year the amount so certified. In the event the
38 amount certified to be paid by the State includes amounts due for
39 services rendered by members to specific instrumentalities or
40 authorities the total amounts so certified shall be paid to the
41 retirement system by the State; provided, however, the full cost
42 attributable to such services rendered to such instrumentalities and
43 authorities shall be computed separately by the actuary and the
44 State shall be reimbursed for such amounts by such
45 instrumentalities or authorities.

46 The cash death benefits, payable as the result of contribution by
47 the State under the provisions of this act upon the death of a

1 member in active service and after retirement shall be paid from the
2 Contingent Reserve Fund.

3 (cf: P.L.1997, c.115, s.9)

4

5 28. (New section) The Teachers' Pension and Annuity Fund, the
6 Judicial Retirement System, the Prison Officers' Pension Fund, the
7 Public Employees' Retirement System, the Consolidated Police and
8 Firemen's Pension Fund, the Police and Firemen's Retirement
9 System, and the State Police Retirement System shall use consistent
10 and generally-accepted actuarial standards, as established by the
11 Governmental Accounting Standards Board or its successor, for the
12 purpose of determining fund or system asset values, obligations and
13 annual employer contributions. Any modification of the
14 assumptions or actuarial methodology at the direction of the State
15 that changes asset values, obligations or annual contributions shall
16 require public disclosure prior to adoption, including a financial
17 impact analysis.

18

19 29. Section 8 of P.L. 1961, c. 49 (C.52:14-17.32) is amended to
20 read as follows:

21 8. a. The basic coverage and the major medical coverage of any
22 employee, and the employee's dependents, if any, shall cease upon
23 the discontinuance of the term of office or employment or upon
24 cessation of active full-time employment subject to such regulations
25 as may be prescribed by the commission for limited continuance of
26 basic coverage and major medical coverage during disability, part-
27 time employment, leave of absence or lay off, and for continuance
28 of basic coverage and major medical coverage after retirement, any
29 such continuance after retirement to be provided at such rates and
30 under such conditions as shall be prescribed by the commission,
31 subject, however, to the requirements hereinafter set forth in this
32 section. Notwithstanding the provisions of any law to the contrary,
33 for law enforcement officers employed by the State for whom there
34 is a majority representative for collective negotiation purposes, and
35 for nonaligned sworn members of the Division of State Police who
36 retire after July 1, 2005, the coverage options available to such
37 employees in retirement shall be limited to those options that were
38 available to the employee on the employee's last day of
39 employment. The commission may also establish regulations
40 prescribing an extension of coverage when an employee or
41 dependent is totally disabled at termination of coverage.

42 b. Rates payable by retired employees for themselves and their
43 dependents, by active employees for dependents covered by
44 medicare benefits, and by the State or other employer for an active
45 employee alone covered by medicare benefits, shall be determined
46 on the basis of utilization experience according to classifications
47 determined by the commission, provided, however, that the total
48 rate payable by such retired employee for the employee and the

1 employee's dependents, or by such active employee for the
2 employee's dependents and the State or other employer for such
3 active employee alone, for coverage hereunder and for Part B of
4 medicare, shall not exceed by more than 25%, as determined by the
5 commission, the total amount which would have been required to
6 have been paid by the employee and by the State or other employer
7 for the coverage maintained had the employee continued in office or
8 active employment and the employee and the employee's
9 dependents were not eligible for medicare benefits. "Medicare" as
10 used in this act means the coverage provided under Title XVIII of
11 the Social Security Act as amended in 1965, or its successor plan or
12 plans.

13 c. (1) From funds appropriated therefor, the State shall pay the
14 premium or periodic charges for the benefits provided to a retired
15 State employee and the employee's dependents covered under the
16 program, but not including survivors, if such employee retired from
17 one or more State or locally-administered retirement systems on a
18 benefit or benefits based in the aggregate on 25 years or more of
19 nonconcurrent service credited in the retirement systems, excluding
20 service credited under the Defined Contribution Retirement
21 Program established pursuant to P.L. _____, c. (C. _____) (pending
22 before the Legislature as this bill), and excepting the employee who
23 elected deferred retirement, but including the employee who retired
24 on a disability pension based on fewer years of service credited in
25 the retirement systems and shall also reimburse such retired
26 employee for the premium charges under Part B of the federal
27 medicare program covering the retired employee and the
28 employee's spouse. In the case of full-time employees of the
29 Rutgers University Cooperative Extension Service, service credited
30 in the federal Civil Service Retirement System (5 U.S.C.s.8331 et
31 seq.) which was earned as a result of full-time employment at
32 Rutgers University, may be considered alone or in combination with
33 service credited in one or more State or locally-administered
34 retirement systems for the purposes of establishing the minimum
35 25-year service requirement to qualify for the benefits provided in
36 this section. Any full-time employee of the Rutgers University
37 Cooperative Extension Service who meets the eligibility
38 requirements set forth in this amendatory act shall be eligible for
39 the benefits provided in this section, provided that at the time of
40 retirement such employee was covered by the State Health Benefits
41 Program and elected to continue such coverage into retirement.

42 (2) Notwithstanding the provisions of this section to the
43 contrary, from funds appropriated therefor, the State shall pay the
44 premium or periodic charges for the benefits provided to a retired
45 State employee and the employee's dependents covered under the
46 program, but not including survivors, if: (a) the employee retires on
47 or after the effective date of this 1987 amendatory act; (b) the
48 employee was employed by Rutgers University prior to January 2,

1 1955 and remained in continuous service with Rutgers University
2 until retirement even though the employee (i) did not join a State-
3 administered retirement system, or, (ii) became a member of a
4 State-administered retirement system, but accumulated less than 25
5 years of credited service; and (c) the employee is covered by the
6 program at the time of retirement.

7 (3) Notwithstanding the provisions of this section to the
8 contrary, in the case of an employee of a State college, as described
9 in chapter 64 of Title 18A of the New Jersey Statutes, or of a
10 county college, as defined in N.J.S.18A:64A-1, service credited in a
11 private defined contribution retirement plan which was earned as an
12 employee of an auxiliary organization, as defined in section 2 of
13 P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be
14 considered in combination with service credited in a State-
15 administered retirement system for the purposes of establishing the
16 minimum 25-year service requirement to qualify for the benefits
17 provided in this section, provided that the employee is covered by
18 the program at the time of retirement.

19 (4) Notwithstanding the provisions of this section to the
20 contrary, from funds appropriated therefor, the State shall pay the
21 premium or periodic charges for the benefits provided to a retired
22 State employee and any dependents covered under the program, but
23 not including survivors, if the employee: (a) retired prior to the
24 effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under
25 the State Police Retirement System, established pursuant to
26 P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than
27 25 years of service credit in the retirement system; (b) was
28 subsequently employed by the State in another position or positions
29 not covered by the State Police Retirement System; (c) has, in the
30 aggregate, at least 30 years of full-time employment with the State;
31 and (d) is covered by the program at the time of terminating full-
32 time employment with the State.

33 (cf: P.L.2005, c.341, s.3)

34

35 30. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to
36 read as follows:

37 7. a. The Division of Pensions and Benefits shall certify to the
38 certifying agent of each employer electing participation under the
39 program the premium rates and periodic charges applicable to the
40 coverage provided for employees and dependents. The
41 participating employer shall remit to the division all contributions
42 to premiums and periodic charges in advance of their due dates,
43 subject to the rules and regulations of the commission.

44 b. (1) From funds allocated therefor, the employer other than
45 the State, upon the adoption and submission to the division of an
46 appropriate resolution prescribed by the commission, may pay the
47 premium or periodic charges for the benefits provided to a retired
48 employee and the employee's dependents covered under the

1 program, if the employee retired from a State or locally-
2 administered retirement system, excepting the employee who
3 elected deferred retirement, and may also reimburse the retired
4 employee for the employee's premium charges under Part B of
5 Medicare covering the retired employee and the employee's spouse
6 if the employee:

7 (a) retired on a disability pension; or

8 (b) retired after 25 or more years of nonconcurrent service credit
9 in one or more State or locally-administered retirement systems,
10 excluding service credited under the Defined Contribution
11 Retirement Program established pursuant to P. L. , c. (C.)
12 (pending before the Legislature as this bill), and a period of service
13 of up to 25 years with the employer at the time of retirement, such
14 period of service to be determined by the employer and set forth in
15 an ordinance or resolution as appropriate; or

16 (c) retired and reached the age of 65 years or older with 25
17 years or more of nonconcurrent service credit in one or more State
18 or locally-administered retirement systems, excluding service
19 credited under the Defined Contribution Retirement Program, and a
20 period of service of up to 25 years with the employer at the time of
21 retirement, such period of service to be determined by the employer
22 and set forth in an ordinance or resolution as appropriate; or

23 (d) retired and reached the age of 62 years or older with at least
24 15 years of service with the employer, excluding service credited
25 under the Defined Contribution Retirement Program.

26 "Retired employee and the employee's dependents" may, upon
27 adoption of an appropriate resolution therefor by the participating
28 employer, also include otherwise eligible employees, and their
29 dependents, who retired from one or more State or locally-
30 administered retirement systems prior to the date that the employer
31 became a participating employer in the New Jersey State Health
32 Benefits Program or who did not elect to continue coverage in the
33 program during such time after the employer became a participating
34 employer that the employer did not pay premium or periodic
35 charges for benefits to retired employees and their dependents
36 pursuant to this section. Eligibility and enrollment of such
37 employees and dependents shall be in accordance with such rules
38 and regulations as may be adopted by the State Health Benefits
39 Commission.

40 The employer other than the State may, by resolution, pay the
41 premium or periodic charges for the benefits provided to the
42 surviving spouse of a retired employee and the employee's
43 dependents covered under the program as provided in this section.

44 (2) Notwithstanding the provisions of any other law to the
45 contrary, the obligations of an employer other than the State, except
46 an independent State authority, board, commission, corporation,
47 agency, or organization deemed to be covered by section 6 of
48 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose

1 employees are covered by section 3 of P.L.1987, c.384 (C.52:14-
2 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section
3 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or
4 periodic charges for health benefits coverage under the provisions
5 of paragraph (1) may be determined by means of a binding
6 collective negotiations agreement, including any agreement in force
7 at the time of the adoption of this act, P.L.1999, c.48. With respect
8 to employees for whom there is no majority representative for
9 collective negotiations purposes, the employer may, in its sole
10 discretion, determine the payment obligations for the employer and
11 the employees, except that if there are collective negotiations
12 agreements binding upon the employer for employees who are
13 within the same community of interest as employees in a collective
14 negotiations unit but are excluded from participation in the unit by
15 the "New Jersey Employer-Employee Relations Act," P.L.1941,
16 c.100 (C.34:13A-1 et seq.), the payment obligations shall be
17 determined in a manner consistent with the terms of any collective
18 negotiations agreement applicable to the collective negotiations
19 unit.

20 c. Notwithstanding the provisions of any other law to the
21 contrary, the payment obligations of an employee of an employer
22 other than the State, except an independent State authority, board,
23 commission, corporation, agency, or organization, for health
24 benefits coverage under subsection b. shall be the payment
25 obligations applicable to the employee on the date the employee
26 retires on a disability pension or the date the employee meets the
27 service credit and service requirements for the employer payment
28 for the coverage, as the case may be.

29 (cf: P.L.2001, c.209, s.4)

30

31 31. (New section) The State Health Benefits Commission shall
32 ensure that every contract purchased by the commission on or after
33 the effective of P.L. , c. (C.)(pending before the Legislature
34 as this bill) to provide benefits under the State managed care plans
35 includes a disease and chronic care management plan for specified
36 conditions meeting nationally recognized accreditation standards
37 and including specified outcome measures and objectives for
38 disease and chronic care management.

39

40 32. N.J.S.18A:66-35 is amended to read as follows:

41 18A:66-35. Any member who has at least 3 years of service to
42 his credit for which he has contributed as a member may borrow
43 from the retirement system, an amount equal to not more than 50%
44 of the amount of his accumulated deductions, but not less than
45 \$50.00; provided, that the amount so borrowed, together with
46 interest thereon, can be repaid by additional deductions from
47 compensation, not in excess of 25% of the member's compensation,
48 made at the same time compensation is paid to the member. The

1 amount so borrowed, together with interest [at the rate of 4% per
2 annum] on any unpaid balance thereof, shall be repaid to the
3 retirement system in equal installments by deduction from the
4 compensation of the member at the time the compensation is paid or
5 in such lump sum amount to repay the balance of the loan but such
6 installment shall be at least equal to the member's rate of
7 contribution to the retirement system and at least sufficient to repay
8 the amount borrowed with interest thereon. Not more than two
9 loans may be granted to any member in any calendar year.
10 Notwithstanding any other law affecting the salary or compensation
11 of any person or persons to whom this article applies or shall apply,
12 the additional deductions required to repay the loan shall be made.

13 The rate of interest for a loan requested by a member prior to the
14 effective date of P.L. , c. (C.)(pending before the Legislature
15 as this bill) shall be 4% per annum on any unpaid balance thereof.
16 For a loan requested after the effective date of that act, the rate of
17 interest per annum shall be a commercially reasonable rate as
18 required by the Internal Revenue Code to be determined by the
19 State Treasurer on that effective date, and on January 1 of each
20 calendar year thereafter. An administrative fee in an amount set by
21 the State Treasurer for each calendar year may be charged for any
22 loan requested after the effective date of P.L. , c. (C.)
23 (pending before the Legislature as this bill). Loans shall be made to
24 a member from his accumulated deductions. The interest earned on
25 such loans shall be treated in the same manner as interest earned
26 from investments of the retirement system.

27 (cf: P.L.1981, c.212, s.1)

28

29 33. Section 2 of P.L.1981, c.212 (C.18A:66-35.1) is amended to
30 read as follows:

31 2. In the case of any member who retires without paying the
32 full amount so borrowed, the Division of Pensions and Benefits
33 shall deduct from the retirement benefit payments the same monthly
34 amount which was deducted from the compensation of the member
35 immediately preceding retirement until the balance of the amount
36 borrowed together with the interest [at the rate of 4% per annum] is
37 repaid. In the case of a pensioner who dies before the outstanding
38 balance of the loan and interest thereon has been recovered, the
39 remaining balance shall be repaid from the proceeds of any other
40 benefit payable on the account of the pensioner either in the form of
41 monthly payments due to his beneficiaries or in the form of lump
42 sum payments payable for pension or group life insurance.

43 (cf: P.L.1999, c.132, s.1)

44

45 34. Section 1 of P.L.1997, c.25 (C.43:6A-34.3) is amended to
46 read as follows:

47 1. Notwithstanding any provision to the contrary, any member
48 who has at least three years of service to the member's credit for

1 which the member has contributed as a member may borrow from
2 the retirement system, an amount equal to not more than 50% of the
3 amount of the member's accumulated deductions, but not less than
4 \$50.00; provided, that the amount so borrowed, together with
5 interest thereon, can be repaid by additional deductions from
6 compensation, not in excess of 25% of the member's compensation,
7 made at the same time compensation is paid to the member. The
8 amount so borrowed, together with interest [at the rate of 4% per
9 annum] on any unpaid balance thereof, shall be repaid to the
10 retirement system in equal installments by deduction from the
11 compensation of the member at the time the compensation is paid or
12 in such lump sum amount to repay the balance of the loan but such
13 installments shall be at least equal to the member's rate of
14 contribution to the retirement system and at least sufficient to repay
15 the amount borrowed with interest thereon. Not more than two
16 loans may be granted to any member in any calendar year.
17 Notwithstanding any other law affecting the salary or compensation
18 of any person or persons to whom this act applies or shall apply, the
19 additional deductions required to repay the loan shall be made.

20 The rate of interest for a loan requested by a member prior to the
21 effective date of P.L. , c. (C.)(pending before the Legislature
22 as this bill) shall be 4% per annum on any unpaid balance thereof.
23 For a loan requested after the effective date of that act, the rate of
24 interest per annum shall be a commercially reasonable rate as
25 required by the Internal Revenue Code to be determined by the
26 State Treasurer on that effective date, and on January 1 of each
27 calendar year thereafter. An administrative fee in an amount set by
28 the State Treasurer for each calendar year may be charged for any
29 loan requested after the effective date of P.L. , c. (C.)
30 (pending before the Legislature as this bill).

31 Loans shall be made to a member from the member's
32 accumulated deductions. The interest earned on such loans shall be
33 treated in the same manner as interest earned from investments of
34 the retirement system.

35 (cf: P.L.1997, c.25, s.1)

36

37 35. Section 2 of P.L.1997, c.25 (C.43:6A-34.4) is amended to
38 read as follows:

39 2. In the case of any member who retires without repaying the
40 full amount so borrowed, the Division of Pensions and Benefits
41 shall deduct from the retirement benefit payments the same monthly
42 amount which was deducted from the compensation of the member
43 immediately preceding retirement until the balance of the amount
44 borrowed together with the interest [at the rate of 4% per annum] is
45 repaid. In the case of a pensioner who dies before the outstanding
46 balance of the loan and interest thereon has been recovered, the
47 remaining balance shall be repaid from the proceeds of any other
48 benefits payable on the account of the pensioner either in the form

1 of monthly payments due to the pensioner's beneficiaries or in the
2 form of lump sum payments payable for pension or group life
3 insurance.

4 (cf: P.L.1999, c.132, s.4)

5

6 36. Section 34 of P.L.1954, c.84 (C.43:15A-34) is amended to
7 read as follows:

8 34. Any member who has at least 3 years of service to his credit
9 for which he has contributed as a member may borrow from the
10 retirement system, an amount equal to not more than 50% of the
11 amount of his accumulated deductions, but not less than \$50.00;
12 provided, that the amount so borrowed, together with interest
13 thereon, can be repaid by additional deductions from compensation,
14 not in excess of 25% of the member's compensation, made at the
15 same time compensation is paid to the member. The amount so
16 borrowed, together with interest [at the rate of 4% per annum] on
17 any unpaid balance thereof, shall be repaid to the retirement system
18 in equal installments by deduction from the compensation of the
19 member at the time the compensation is paid or in such lump sum
20 amount to repay the balance of the loan but such installments shall
21 be at least equal to the member's rate of contribution to the
22 retirement system and at least sufficient to repay the amount
23 borrowed with interest thereon. Not more than two loans may be
24 granted to any member in any calendar year. Notwithstanding any
25 other law affecting the salary or compensation of any person or
26 persons to whom this act applies or shall apply, the additional
27 deductions required to repay the loan shall be made.

28 The rate of interest for a loan requested by a member prior to the
29 effective date of P.L. , c. (C.)(pending before the Legislature
30 as this bill) shall be 4% per annum on any unpaid balance thereof.
31 For a loan requested after the effective date of that act, the rate of
32 interest per annum shall be a commercially reasonable rate as
33 required by the Internal Revenue Code to be determined by the
34 State Treasurer on that effective date, and on January 1 of each
35 calendar year thereafter. An administrative fee in an amount set by
36 the State Treasurer for each calendar year may be charged for any
37 loan requested after the effective date of P.L. , c. (C.)
38 (pending before the Legislature as this bill).

39 Loans shall be made to a member from his accumulated
40 deductions. The interest earned on such loans shall be treated in the
41 same manner as interest earned from investments of the retirement
42 system.

43 (cf: P.L.1981, c.55, s.1)

44

45 37. Section 2 of P.L.1981, c.55 (C.43:15A-34.1) is amended to
46 read as follows:

47 2. In the case of any member who retires without repaying the
48 full amount so borrowed, the Division of Pensions and Benefits

1 shall deduct from the retirement benefit payments the same monthly
2 amount which was deducted from the compensation of the member
3 immediately preceding retirement until the balance of the amount
4 borrowed together with the interest [at the rate of 4% per annum] is
5 repaid. In the case of a pensioner who dies before the outstanding
6 balance of the loan and interest thereon has been recovered, the
7 remaining balance shall be repaid from the proceeds of any other
8 benefits payable on the account of the pensioner either in the form
9 of monthly payments due to his beneficiaries or in the form of lump
10 sum payments payable for pension or group life insurance.

11 (cf: P.L.1999, c.132, s.2)

12

13 38. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
14 to read as follows:

15 18. Any member who has at least 3 years of service to his credit
16 for which he has contributed as a member may borrow from the
17 retirement system, an amount equal to not more than 50% of the
18 amount of his aggregate contributions, but not less than \$50.00;
19 provided that the amount so borrowed, together with interest
20 thereon, can be repaid by additional deductions from salary, not in
21 excess of 25% of the member's salary, made at the time the salary
22 is paid to the member. The amount so borrowed, together with
23 interest [at the rate of 4% per annum] on any unpaid balance
24 thereof, shall be repaid to the retirement system in equal
25 installments by deductions from the salary of the member at the
26 time the salary is paid or in such lump sum amount to repay the
27 balance of the loan but such installments shall be at least equal to
28 the member's rate of contribution to the retirement system and at
29 least sufficient to repay the amount borrowed with interest thereon.
30 Not more than two loans may be granted to any member in any
31 calendar year. Notwithstanding any other law affecting the salary
32 or compensation of any person or persons to whom this act applies
33 or shall apply, the additional deductions required to repay the loan
34 shall be made.

35 The rate of interest for a loan requested by a member prior to the
36 effective date of P.L. , c. (C.)(pending before the Legislature
37 as this bill) shall be 4% per annum on any unpaid balance thereof.
38 For a loan requested after the effective date of that act, the rate of
39 interest per annum shall be a commercially reasonable rate as
40 required by the Internal Revenue Code to be determined by the
41 State Treasurer on that effective date, and on January 1 of each
42 calendar year thereafter. An administrative fee in an amount set by
43 the State Treasurer for each calendar year may be charged for any
44 loan requested after the effective date of P.L. , c. (C.)
45 (pending before the Legislature as this bill).

46 Loans shall be made to a member from his aggregate
47 contributions. The interest earned on such loans shall be treated in

1 the same manner as interest earned from investments of the
2 retirement system.

3 (cf: P.L.1981, c.370, s.1)

4

5 39. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
6 read as follows:

7 2. In the case of any member who retires without repaying the
8 full amount so borrowed, the Division of Pensions and Benefits
9 shall deduct from the retirement benefit payments the same monthly
10 amount which was deducted from the compensation of the member
11 immediately preceding retirement until the balance of the amount
12 borrowed together with the interest [at the rate of 4% per annum] is
13 repaid. In the case of a pensioner who dies before the outstanding
14 balance of the loan and interest thereon has been recovered, the
15 remaining balance shall be repaid from the proceeds of any other
16 benefits payable on the account of the pensioner either in the form
17 of monthly payments due to his beneficiaries or in the form of lump
18 sum payments payable for pension or group life insurance.

19 (cf: P.L.1999, c.132, s.3)

20

21 40. Section 29 of P.L.1965, c.89 (C.53:5A-29) is amended to
22 read as follows:

23 29. Any member who has at least three years of service to the
24 member's credit for which the member has contributed as a member
25 may borrow from the retirement system, an amount equal to not
26 more than 50% of the amount of the member's aggregate
27 contributions, but not less than \$50.00; provided, that the amount so
28 borrowed, together with interest thereon, can be repaid by
29 additional deductions from salary, not in excess of 25% of the
30 member's salary, made at the time the salary is paid to the member.
31 The amount so borrowed, together with interest [at the rate of 4%
32 per annum] on any unpaid balance thereof, shall be repaid to the
33 retirement system in equal installments by deductions from the
34 salary of the member at the time the salary is paid or in such lump
35 sum amount to repay the balance of the loan but such installments
36 shall be at least equal to the member's rate of contribution to the
37 retirement system and at least sufficient to repay the amount
38 borrowed with interest thereon. Not more than two loans may be
39 granted to any member in any calendar year. Notwithstanding any
40 other law affecting the salary or compensation of any person or
41 persons to whom this act applies or shall apply, the additional
42 deductions required to repay the loan shall be made.

43 The rate of interest for a loan requested by a member prior to the
44 effective date of P.L. , c. (C.)(pending before the Legislature
45 as this bill) shall be 4% per annum on any unpaid balance thereof.
46 For a loan requested after the effective date of that act, the rate of
47 interest per annum shall be a commercially reasonable rate as
48 required by the Internal Revenue Code to be determined by the

1 State Treasurer on that effective date, and on January 1 of each
2 calendar year thereafter. An administrative fee in an amount set by
3 the State Treasurer for each calendar year may be charged for any
4 loan requested after the effective date of P.L. , c. (C.)
5 (pending before the Legislature as this bill).

6 Loans shall be made to a member from the member's aggregate
7 contributions. The interest earned on such loans shall be treated in
8 the same manner as interest earned from investments of the
9 retirement system.

10 In the case of any member who retires without repaying the full
11 amount so borrowed, the Division of Pensions and Benefits shall
12 deduct from the retirement allowance payments the same monthly
13 amount which was deducted from the salary of the member
14 immediately preceding retirement until the balance of the amount
15 borrowed together with the interest [at the rate of 4% per annum] is
16 repaid. In the case of a retirant who dies before the outstanding
17 balance of the loan and interest thereon has been recovered, the
18 remaining balance shall be repaid from the proceeds of any other
19 benefits payable on the account of the retirant either in the form of
20 monthly payments due to the retirant's beneficiaries or in the form
21 of lump sum payments payable for pension or group life insurance.
22 (cf: P.L.1999, c.132, s.5)

23

24 41. (New Section) a. Upon the termination of the Teachers'
25 Pension and Annuity Fund, the Public Employees' Retirement
26 System, the Judicial Retirement System, the Police and Firemen's
27 Retirement System, the State Police Retirement System, the Prison
28 Officers' Pension Fund, or the Consolidated Police and Firemen's
29 Fund, or upon complete discontinuance of contributions to any of
30 the retirement systems, the rights of all members of such retirement
31 system to benefits accrued to the date of such termination or
32 discontinuance, to the extent then funded, are non-forfeitable.

33 b. Notwithstanding any law, rule or regulation to the contrary,
34 the form and timing of all distributions from the Teachers' Pension
35 and Annuity Fund, the Public Employees' Retirement System, the
36 Judicial Retirement System, the Police and Firemen's Retirement
37 System, the State Police Retirement System, the Prison Officers'
38 Pension Fund, or the Consolidated Police and Firemen's Fund, to a
39 member, or to the beneficiary of a member if the member dies
40 before the member's entire interest has been distributed, shall
41 conform to the required distribution provisions of section 401(a)(9)
42 of the federal Internal Revenue Code and the regulations issued by
43 the United States Department of the Treasury under that Code
44 section, including the incidental death benefit requirements of
45 section 401(a)(9)(G) of the federal Internal Revenue Code. In
46 addition, in no event shall payments under any of the retirement
47 systems commence to be paid to a member later than the member's
48 required beginning date, without regard to whether the member has

1 filed application therefor. For this purpose, a member's required
2 beginning date is the April 1 of the calendar year following the later
3 of (1) the calendar year in which the member attains age 70 ½ or (2)
4 the calendar year in which the member retires. The actuarial
5 adjustment described in section 401(a)(9)(C)(iii) of the federal
6 Internal Revenue Code shall not apply.

7
8 42. (New section) Notwithstanding any law, rule or regulation
9 to the contrary, a political subdivision of the State, or an agency,
10 authority or instrumentality thereof, that has adopted the provisions
11 of Title 11A of the New Jersey Statutes, shall not pay supplemental
12 compensation to any officer or employee for accumulated unused
13 sick leave in an amount in excess of \$15,000, except that an officer
14 or employee who:

15 (1) on the effective date of P.L. , c. (C.)(pending before
16 the Legislature as this bill), or upon the expiration of a collective
17 negotiations agreement or contract of employment applicable to that
18 officer or employee in effect on that date has accrued supplemental
19 compensation based upon accumulated unused sick leave shall,
20 upon retirement, be eligible to receive for any unused leave not
21 more than the amount so accumulated or not more than \$15,000,
22 whichever is greater; or

23 (2) becomes an officer or employee after the effective date of
24 P.L. , c. (C.)(pending before the Legislature as this bill) and
25 has previously accrued supplemental compensation based upon
26 accumulated unused sick leave shall, upon retirement, be eligible to
27 receive for any unused leave not more than the amount so
28 previously accumulated or not more than \$15,000, whichever is
29 greater.

30 Supplemental compensation shall be payable only at the time of
31 retirement from a State-administered or locally-administered
32 retirement system based on the leave credited on the date of
33 retirement.

34 As used in this section, "officer or employee" means an elected
35 official; or a person appointed by the Governor with the advice and
36 consent of the Senate, or appointed by the Governor to serve at the
37 pleasure of the Governor only during his or her term of office; or a
38 person appointed by an elected public official or elected governing
39 body of a political subdivision of the State, with the specific
40 consent or approval of the elected governing body of the political
41 subdivision that is substantially similar in nature to the advice and
42 consent of the Senate for appointments by the Governor of the State
43 as that similarity is determined by the elected governing body and
44 set forth in an adopted ordinance or resolution, pursuant to
45 guidelines or policy that shall be established by the Local Finance
46 Board in the Department of Community Affairs, but not including a
47 person who is employed or appointed in the regular or normal
48 course of employment or appointment procedures and consented to

1 or approved in a general or routine manner appropriate for and
2 followed by the political subdivision, or the agency, authority or
3 instrumentality of a subdivision, or a person who holds a
4 professional license or certificate to perform and is performing as a
5 certified health officer, tax assessor, tax collector, municipal
6 planner, chief financial officer, registered municipal clerk,
7 construction code official, licensed uniform subcode inspector,
8 qualified purchasing agent, or certified public works manager.

9
10 43. (New section) Notwithstanding any law, rule or regulation
11 to the contrary, a political subdivision of the State, or an agency,
12 authority or instrumentality thereof, that has not adopted the
13 provisions of Title 11A of the New Jersey Statutes, shall not pay
14 supplemental compensation to any officer or employee for
15 accumulated unused sick leave in an amount in excess of \$15,000,
16 except that an officer or employee who:

17 (1) on the effective date of P.L. , c. (C.)(pending before
18 the Legislature as this bill), or upon the expiration of a collective
19 negotiations agreement or contract of employment applicable to that
20 officer or employee in effect on that date has accrued supplemental
21 compensation based upon accumulated unused sick leave shall,
22 upon retirement, be eligible to receive for any unused leave not
23 more than the amount so accumulated or not more than \$15,000,
24 whichever is greater; or

25 (2) becomes an officer or employee after the effective date of
26 P.L. , c. (C.)(pending before the Legislature as this bill) and
27 has previously accrued supplemental compensation based upon
28 accumulated unused sick leave shall, upon retirement, be eligible to
29 receive for any unused leave not more than the amount so
30 previously accumulated or not more than \$15,000, whichever is
31 greater.

32 Supplemental compensation shall be payable only at the time of
33 retirement from a State-administered or locally-administered
34 retirement system based on the leave credited on the date of
35 retirement.

36 As used in this section, “officer or employee” means an elected
37 official; or a person appointed by the Governor with the advice and
38 consent of the Senate, or appointed by the Governor to serve at the
39 pleasure of the Governor only during his or her term of office; or a
40 person appointed by an elected public official or elected governing
41 body of a political subdivision of the State, with the specific
42 consent or approval of the elected governing body of the political
43 subdivision that is substantially similar in nature to the advice and
44 consent of the Senate for appointments by the Governor of the State
45 as that similarity is determined by the elected governing body and
46 set forth in an adopted ordinance or resolution, pursuant to
47 guidelines or policy that shall be established by the Local Finance
48 Board in the Department of Community Affairs, but not including a

1 person who is employed or appointed in the regular or normal
2 course of employment or appointment procedures and consented to
3 or approved in a general or routine manner appropriate for and
4 followed by the political subdivision, or the agency, authority or
5 instrumentality of a subdivision, or a person who holds a
6 professional license or certificate to perform and is performing as a
7 certified health officer, tax assessor, tax collector, municipal
8 planner, chief financial officer, registered municipal clerk,
9 construction code official, licensed uniform subcode inspector,
10 qualified purchasing agent, or certified public works manager.

11

12 44. (New section) Notwithstanding any law, rule or regulation
13 to the contrary, a board of education, or an agency or
14 instrumentality thereof, shall not pay supplemental compensation to
15 any officer or employee for accumulated unused sick leave in an
16 amount in excess of \$15,000, except that an officer or employee
17 who:

18 (1) on the effective date of P.L. , c. (C.)(pending before
19 the Legislature as this bill), or upon the expiration of a collective
20 negotiations agreement or contract of employment applicable to that
21 officer or employee in effect on that date has accrued supplemental
22 compensation based upon accumulated unused sick leave shall,
23 upon retirement, be eligible to receive for any unused leave not
24 more than the amount so accumulated or not more than \$15,000,
25 whichever is greater; or

26 (2) becomes an officer or employee after the effective date of
27 P.L. , c. (C.)(pending before the Legislature as this bill) and
28 has previously accrued supplemental compensation based upon
29 accumulated unused sick leave shall, upon retirement, be eligible to
30 receive for any unused leave not more than the amount so
31 previously accumulated or not more than \$15,000, whichever is
32 greater.

33 Supplemental compensation shall be payable only at the time of
34 retirement from a State-administered or locally-administered
35 retirement system based on the leave credited on the date of
36 retirement.

37 As used in this section, "officer or employee" means an elected
38 official; or a person appointed by the Governor with the advice and
39 consent of the Senate, or appointed by the Governor to serve at the
40 pleasure of the Governor only during his or her term of office; or a
41 person appointed by an elected public official or elected governing
42 body of the political subdivision, with the specific consent or
43 approval of the elected governing body of the political subdivision
44 that is substantially similar in nature to the advice and consent of
45 the Senate for appointments by the Governor of the State as that
46 similarity is determined by the elected governing body and set forth
47 in an adopted resolution, pursuant to guidelines or policy that shall
48 be established by the Department of Education, but not including a

1 person who is employed or appointed in the regular or normal
2 course of employment or appointment procedures and consented to
3 or approved in a general or routine manner appropriate for and
4 followed by the political subdivision, or the agency or
5 instrumentality thereof.

6
7 45. (New section) Notwithstanding any law or any rule or
8 regulation to the contrary, an officer or employee of a political
9 subdivision of the State, or an agency, authority, or instrumentality
10 of a subdivision, that has not adopted the provisions of Title 11A,
11 Civil Service, of the New Jersey Statutes, who does not take
12 vacation leave that accrues on or after the effective date of P.L. ,
13 c. (C.)(pending before the Legislature as this bill), or on or
14 after the date on which the person becomes an officer or employee,
15 in a given year because of business demands shall be granted that
16 accrued leave only during the next succeeding year.

17 However, vacation leave not taken in a given year because of
18 duties directly related to a state of emergency declared by the
19 Governor may accumulate at the discretion of the appointing
20 authority until, pursuant to a plan established by the officer or
21 employee's appointing authority, the leave is used or the employee
22 or officer is compensated for that leave, which shall not be subject
23 to collective negotiation or collective bargaining.

24 A person who (1) is an officer or employee on the effective date
25 of P.L. , c. (C.)(pending before the Legislature as this bill),
26 or (2) becomes an officer or employee after that effective date, and
27 has previously accrued vacation leave shall be eligible and shall be
28 permitted to retain and use that accrued vacation leave.

29 As used in this section, "officer or employee" means an elected
30 official; or a person appointed by the Governor with the advice and
31 consent of the Senate, or appointed by the Governor to serve at the
32 pleasure of the Governor only during his or her term of office; or a
33 appointed by an elected public official or elected governing body of
34 a political subdivision of the State, with the specific consent or
35 approval of the elected governing body of the political subdivision
36 that is substantially similar in nature to the advice and consent of
37 the Senate for appointments by the Governor of the State as that
38 similarity is determined by the elected governing body and set forth
39 in an adopted ordinance or resolution, pursuant to guidelines or
40 policy that shall be established by the Local Finance Board in the
41 Department of Community Affairs, but not including a person who
42 is employed or appointed in the regular or normal course of
43 employment or appointment procedures and consented to or
44 approved in a general or routine manner appropriate for and
45 followed by the political subdivision, or the agency, authority or
46 instrumentality of a subdivision, or a person who holds a
47 professional license or certificate to perform and is performing as a
48 certified health officer, tax assessor, tax collector, municipal

1 planner, chief financial officer, registered municipal clerk,
2 construction code official, licensed uniform subcode inspector,
3 qualified purchasing agent, or certified public works manager.
4

5 46. (New section) Notwithstanding any law, rule or regulation
6 to the contrary, an officer or employee of a board of education, or
7 an agency or instrumentality thereof, who does not take vacation
8 leave that accrues on or after the effective date of P.L. ,
9 c. (C.) (pending before the Legislature as this bill), or on or
10 after the date on which the person becomes an officer or employee,
11 in a given year because of business demands shall be granted that
12 accrued leave only during the next succeeding year.

13 However, vacation leave not taken in a given year because of
14 duties directly related to a state of emergency declared by the
15 Governor may accumulate at the discretion of the appointing
16 authority until, pursuant to a plan established by the officer or
17 employee's appointing authority, the leave is used or the employee
18 or officer is compensated for that leave, which shall not be subject
19 to collective negotiation or collective bargaining.

20 A person who (1) is an officer or employee on the effective date
21 of P.L. , c. (C.)(pending before the Legislature as this bill),
22 or (2) becomes an officer or employee after that effective date, and
23 has previously accrued vacation leave shall be eligible and shall be
24 permitted to retain and use that accrued vacation leave.

25 As used in this section, "officer or employee" means an elected
26 official; or a person appointed by the Governor with the advice and
27 consent of the Senate, or appointed by the Governor to serve at the
28 pleasure of the Governor only during his or her term of office; or a
29 person appointed by an elected public official or elected governing
30 body of the political subdivision, with the specific consent or
31 approval of the elected governing body of the political subdivision
32 that is substantially similar in nature to the advice and consent of
33 the Senate for appointments by the Governor of the State as that
34 similarity is determined by the elected governing body and set forth
35 in an adopted resolution, pursuant to guidelines or policy that shall
36 be established by the Department of Education, but not including a
37 person who is employed or appointed in the regular or normal
38 course of employment or appointment procedures and consented to
39 or approved in a general or routine manner appropriate for and
40 followed by the political subdivision, or the agency or
41 instrumentality thereof.
42

43 47. Nothing contained in sections 42 through 46 of P.L. ,
44 c. (C.) (pending before the Legislature as this bill) shall be
45 construed as affecting the provisions of any collective bargaining
46 agreement or individual contract of employment in effect on that
47 act's effective date.

1 48. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended
2 to read as follows:

3 36. Notwithstanding the provisions of any other law to the
4 contrary, [a municipality, or a municipal authority created by a
5 municipality pursuant to P.L.1946, c.138 (C.40:14A-1 et seq.) or
6 P.L.1957, c.183 (C.40:14B-1 et seq.), or a county college] an
7 employer other than the State which participates in the State Health
8 Benefits Program, established pursuant to P.L.1961, c.49 (C.52:14-
9 17.25 et seq.), may allow any employee who is eligible for other
10 health care coverage to waive coverage under the State Health
11 Benefits Program to which the employee is entitled by virtue of
12 employment with the [municipality, the municipal authority or the
13 county college] employer. The waiver shall be in such form as the
14 Director of the Division of Pensions and Benefits shall prescribe
15 and shall be filed with the division. After such waiver has been
16 filed and for so long as that waiver remains in effect, no premium
17 shall be required to be paid by the [municipality, the municipal
18 authority, or the county college as the case may be,] employer for
19 the employee or the employee's dependents. Not later than the
20 180th day after the date on which the waiver is filed, the division
21 shall refund to the [municipality, the municipal authority or the
22 county college] employer the amount of any premium previously
23 paid by the [municipality, the municipal authority or the county
24 college] employer with respect to any period of coverage which
25 followed the filing date. In consideration of filing such a waiver, [a
26 municipality, a municipal authority or a county college] an
27 employer may pay to the employee annually an amount, to be
28 established in the sole discretion of the [municipality, the municipal
29 authority or the county college] employer, which shall not exceed
30 50% of the amount saved by the [municipality, the municipal
31 authority or the county college] employer because of the
32 employee's waiver of coverage. An employee who waives
33 coverage shall be permitted to immediately resume coverage if the
34 employee ceases to be [covered through the employee's spouse]
35 eligible for other health care coverage for any reason, including, but
36 not limited to, the retirement or death of the spouse or divorce. An
37 employee who resumes coverage shall repay, on a pro rata basis,
38 any amount received from the [municipality, the municipal
39 authority or the county college] employer which represents an
40 advance payment for a period of time during which coverage is
41 resumed. An employee who wishes to resume coverage shall notify
42 the [municipality, the municipal authority or the county college]
43 employer in writing and file a declaration with the division, in such
44 form as the director of the division shall prescribe, that the waiver is
45 revoked. The decision of [a municipality, a municipal authority or
46 a county college] an employer to allow its employees to waive

1 coverage and the amount of consideration to be paid therefor shall
2 not be subject to the collective bargaining process.

3 (cf: P.L.2003, c.3, s.2)

4

5 ²[¹49. R.S.19:3-5 is amended to read as follows:

6 19:3-5. No person shall hold at the same time more than one of
7 the following offices: elector of President and Vice-President of the
8 United States, member of the United States Senate, member of the
9 House of Representatives of the United States, member of the
10 Senate or of the General Assembly of this State, county clerk,
11 register, surrogate or sheriff.

12 No person shall hold the office of member of the Senate or the
13 General Assembly of this State and, at the same time, hold any
14 other elective public office in this State, except that any person who
15 holds the office of member of the Senate or the General Assembly
16 and, at the same time, holds any other elective public office on the
17 effective date specified in P.L. , c. (C.)(pending before
18 the Legislature as this bill) may continue to hold the office of
19 member of the Senate or the General Assembly, and may hold the
20 other elective public office at the same time if service in the Senate
21 or the General Assembly and the other elective office are
22 continuous following the effective date specified in P.L. , c.
23 (C.) (pending before the Legislature as this bill).

24 No person shall be elected an elector of President and Vice-
25 President of the United States unless he shall possess the
26 qualifications of a legal voter of the State, shall be of the age of 25
27 years or upwards and shall have been a citizen of the United States
28 **[7] seven** years next preceding such election.

29 No person shall be elected a member of the House of
30 Representatives, or an elector of President and Vice-President who
31 shall hold any office of trust or profit under the United States.¹

32 (cf: P.L.1971, c.2, s.9)]²

33

34 ²[¹50. N.J.S.40A:9-4 is amended to read as follows:

35 40A:9-4. (1) It shall be **[lawful]** unlawful for a person to hold
36 simultaneously an elective county office and an elective municipal
37 office.

38 (2) It shall be lawful for a member of the Legislature of the State
39 to hold simultaneously any **[elective or]** appointive office or
40 position in county or municipal government.

41 (3) Nothing contained in this section shall be deemed to prevent
42 the incumbent of any office from abstaining from voting in any
43 matter in which **[he]** the incumbent believes he or she has a
44 conflict of duty or of interest, nor to prevent a challenge of a right
45 to vote on that account under the principles of the common law or
46 any statute.

47 (4) a. **[Nothing herein contained shall be deemed to repeal or**

1 supersede any statute prohibiting the dual holding of offices or
 2 positions] (Deleted by amendment, P.L. , c.)(pending before
 3 the Legislature as this bill).

4 b. **【This section shall apply to persons now holding elective**
 5 **offices or positions with the counties and municipalities or now**
 6 **servng as members of the Legislature of the State】** (Deleted by
 7 amendment, P.L. , c.)(pending before the Legislature as this
 8 bill).

9 c. For the purposes of this section the term “elective office”
 10 shall mean an office to which an incumbent is elected by the vote of
 11 the general electorate.

12 (5) Notwithstanding the provision of paragraph (1) of this
 13 section, a person who, on the effective date specified in P.L. , c.
 14 (C.) (pending before the Legislature as this bill), holds
 15 simultaneously an elective county office and an elective municipal
 16 office may continue to hold the elective offices simultaneously if
 17 service in those elective offices is continuous following the
 18 effective date specified in P.L. , c. (C.)(pending before
 19 the Legislature as this bill).¹

20 (cf: N.J.S.40A:9-4)]²

21

22 ²[¹51. (New section) a. For elective public office other than as
 23 provided in R.S.19:3-5 or N.J.S.40A:9-4, a person elected to public
 24 office in this State shall not hold simultaneously any other elective
 25 public office.

26 b. Notwithstanding the provision of subsection a. of this section,
 27 a person who holds simultaneously more than one elective public
 28 office on the effective date specified in P.L. , c. (C.)(pending
 29 before the Legislature as this bill) may continue to hold the elective
 30 public offices simultaneously if service in those elective public
 31 offices is continuous following the effective date specified in
 32 P.L. , c. (C.) (pending before the Legislature as this
 33 bill).¹】²

34

35 ¹[49.] ²[¹52.] ²49.² This act shall take effect on the 30th day
 36 after the date of enactment, except that sections 1 through 19 shall
 37 take effect on the July 1, 2007 ¹[and] ²[¹] and² section 20 shall
 38 take effect January 1, 2008 ²[¹and sections 49, 50, and 51 shall take
 39 effect February 1, 2008¹】², but the State may take such anticipatory
 40 administrative action in advance thereof as shall be necessary for
 41 the implementation of this act.

1

2

3 Implements various recommendations of Joint Legislative
4 Committee on Public Employee Benefits Reform concerning
5 benefits and certain terms and conditions of public office and
6 employment.

SENATE, No. 17

STATE OF NEW JERSEY

212th LEGISLATURE

INTRODUCED JANUARY 22, 2007

Sponsored by:

Senator RICHARD J. CODEY

District 27 (Essex)

Senator ELLEN KARCHER

District 12 (Mercer and Monmouth)

Assemblywoman NELLIE POU

District 35 (Bergen and Passaic)

Assemblyman KEVIN J. O'TOOLE

District 40 (Bergen, Essex and Passaic)

Assemblyman THOMAS P. GIBLIN

District 34 (Essex and Passaic)

Assemblyman JEFF VAN DREW

District 1 (Cape May, Atlantic and Cumberland)

Assemblywoman LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

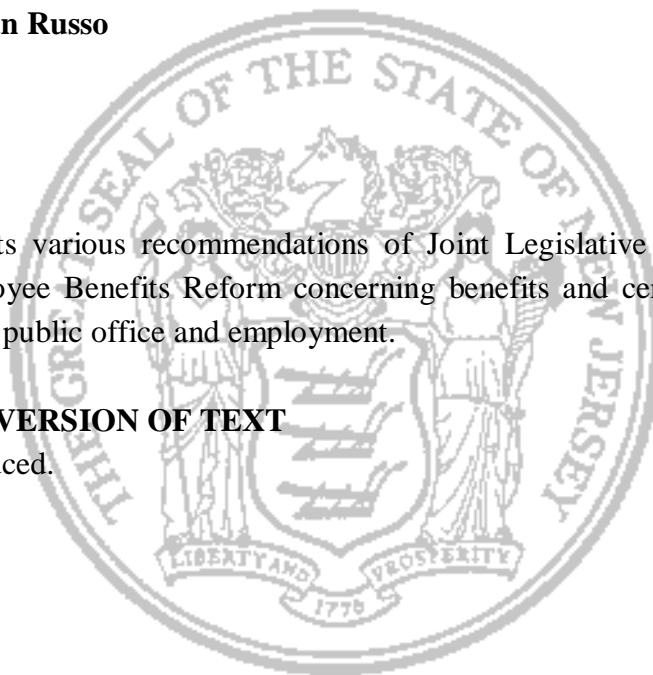
Assemblyman Russo

SYNOPSIS

Implements various recommendations of Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/30/2007)

1 AN ACT implementing various recommendations of the Joint
2 Legislative Committee on Public Employee Benefits Reform
3 concerning benefits and certain terms and conditions of public
4 office and employment and amending and supplementing various
5 parts of the statutory law.

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

9
10 1. (New section) There is hereby established in the Department
11 of the Treasury a Defined Contribution Retirement Program. The
12 program design shall be one that is permitted for governmental
13 plans under the federal Internal Revenue Code as determined by the
14 State Treasurer. The retirement program is deemed to be a pension
15 fund or retirement system for purposes of P.L.1968, c.23 (C.43:3C-
16 1 et seq.). For the purposes of the Defined Contribution Retirement
17 Program:

18 “Base salary” means a participant’s regular base salary. It shall
19 exclude overtime or other forms of extra compensation, including
20 but not limited to, longevity lump sum payments, lump sum
21 terminal sick leave or vacation pay, the value of maintenance,
22 individual pay adjustments made within or at the conclusion of the
23 participant’s final year of service, retroactive salary adjustments or
24 other pay adjustments made in the participant’s final year of service
25 unless the adjustment was made as a result of a general pay
26 adjustment for all personnel of the public office or agency in which
27 the participant is employed, or any unscheduled individual
28 adjustment made in the final year to place the participant at the
29 maximum salary level within salary range.

30 “Employer” means the State or a political subdivision thereof, or
31 an agency, board, commission, authority or instrumentality of the
32 State or a subdivision, that pays the base salary of a participant for
33 services rendered by the participant.

34 “Retirement program” means the Defined Contribution
35 Retirement Program established by this section.

36
37 2. (New section) a. The following persons shall be eligible and
38 shall participate in the Defined Contribution Retirement Program.

39 (1) A person who commences service on or after the effective
40 date of this section of P.L. , c. (C.)(pending before the
41 Legislature as this bill) in an elective public office of this State or
42 of a political subdivision thereof, except that it shall not include a
43 person who holds elective public office on the effective date of this
44 section and is enrolled in the Public Employees’ Retirement System
45 while that person continues to hold that elective public office

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.

S17 CODEY, KARCHER

1 without a break in service. Service in the Legislature shall be
2 considered a single elective public office.

3 (2) A person who commences service on or after the effective
4 date of this section in an employment, office or position of the State
5 or of a political subdivision thereof, or an agency, board,
6 commission, authority or instrumentality of the State or of a
7 subdivision, pursuant to an appointment by the Governor that
8 requires the advice and consent of the Senate, or pursuant to an
9 appointment by the Governor to serve at the pleasure of the
10 Governor only during his or her term of office. This paragraph
11 shall not be deemed to include a person otherwise eligible for
12 membership in the State Police Retirement System or the Judicial
13 Retirement System.

14 (3) A person who commences service on or after the effective
15 date of this section in an employment, office or position in a
16 political subdivision of the State, or an agency, board, commission,
17 authority or instrumentality of a subdivision, pursuant to an
18 appointment by an elected public official or elected governing
19 body, that requires the specific consent or approval of the elected
20 governing body of the political subdivision that is substantially
21 similar in nature to the advice and consent of the Senate for
22 appointments by the Governor of the State as that similarity is
23 determined by the elected governing body and set forth in an
24 adopted ordinance or resolution, pursuant to guidelines or policy
25 that shall be established by the Local Finance Board in the
26 Department of Community Affairs or the Department of Education,
27 as appropriate to the elected governing body. This paragraph shall
28 not be deemed to include a person otherwise eligible for
29 membership in the Teachers' Pension and Annuity Fund or the
30 Police and Firemen's Retirement System, or a person who is
31 employed or appointed in the regular or normal course of
32 employment or appointment procedures and consented to or
33 approved in a general or routine manner appropriate for and
34 followed by the political subdivision, or the agency, board,
35 commission, authority or instrumentality of a subdivision, or a
36 person who holds a professional license or certificate to perform
37 and is performing as a certified health officer, tax assessor, tax
38 collector, municipal planner, chief financial officer, registered
39 municipal clerk, construction code official, licensed uniform
40 subcode inspector, qualified purchasing agent, or certified public
41 works manager.

42 (4) A person who is granted a pension or retirement allowance
43 under any pension fund or retirement system established under the
44 laws of this State and elects to participate pursuant to section 1 of
45 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

46 b. No person shall be eligible to participate in the retirement
47 program with respect to any public employment, office, or position
48 if:

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1 (1) the base salary for that employment, office, or position is
2 less than \$1,500 per year;

3 (2) the person is, on the basis of service in that employment,
4 office, or position, eligible for membership or enrolled as a member
5 of another State or locally-administered pension fund or retirement
6 system established under the laws of this State including the
7 Alternate Benefit Program, except as otherwise specifically
8 provided in subsection a. of this section;

9 (3) the person is receiving a benefit as a retiree from any other
10 State or locally-administered pension fund or retirement system
11 established under the laws of this State, except as provided in
12 section 1 of P.L.1977, c.171 (C.43:3C-3); or

13 (4) the person is an officer or employee of a political
14 subdivision of this State or of a board of education, or of any
15 agency, authority or instrumentality thereof, who is ineligible for
16 membership in the Public Employees' Retirement System pursuant
17 to section 20 of P.L. , c. (C.)(pending before the Legislature
18 as this bill).

19 c. A person eligible and required to participate in the
20 retirement program whose base salary is less than \$5,000 may at the
21 commencement of service in an employment, office or position
22 irrevocably elect to waive participation with regard to that
23 employment, office, or position by filing, at the time and on a form
24 required by the division, a written waiver with the Division of
25 Pensions and Benefits that waives all rights and benefits that would
26 otherwise be provided by the retirement program.

27 d. Service credited to a participant in the Defined Contribution
28 Retirement Program shall not be recognized as service credit to
29 determine eligibility for employer-paid health care benefits in
30 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),
31 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or
32 any other law, rule or regulation.

33
34 3. (New section) a. The employer shall reduce the
35 compensation of each participant in the Defined Contribution
36 Retirement Program and pay over to the plan provider for the
37 benefit of the participant an employee contribution for the
38 retirement benefit contract or contracts equal to 5% of the
39 participant's base salary. At the option and request of a participant,
40 the employer shall reduce the compensation of the participant for
41 additional contributions as permitted by the federal Internal
42 Revenue Code. The intervals for reductions and payments shall be
43 determined by the Division of Pensions and Benefits.

44 All participant contributions shall be made in accordance with
45 section 414(h) of the federal Internal Revenue Code (26 U.S.C.
46 s.414(h)).

47 b. The employer shall make payment of the employer
48 contributions to the program at a rate equal to 3% of the employee's

1 base salary, which moneys shall be paid to the designated provider
2 for the benefit of each participant. Additionally, employers shall
3 pay their share of the administrative costs of the program. The
4 intervals for all payments and the allocation of administrative costs
5 shall be determined by the Division of Pensions and Benefits
6 including due dates and penalties for non compliance.

7 c. No employer contributions shall be vested in a participant
8 until after the participant commences the second year of
9 employment unless the participant, at the time of initial
10 employment, either (1) participates in a program substantially
11 similar to the retirement program, or (2) is a member of another
12 State-administered pension fund or retirement system.

13
14 4. (New section) There is established in, but not of, the
15 Division of Pensions and Benefits in the Department of the
16 Treasury the Defined Contribution Retirement Program Board, that
17 shall consist of the Director of the Division of Pensions and
18 Benefits or a designee; the Director of the Division of Investment or
19 a designee; the Commissioner of the Department of Banking and
20 Insurance or a designee; the Director of the Office of Management
21 and Budget or a designee; and a person appointed by the Director of
22 the Division of Pensions and Benefits who is an active participant
23 or retiree of the Defined Contribution Retirement Program.

24 In order to expedite implementation of the Defined Contribution
25 Retirement Program, the current third party administrator for the
26 New Jersey State Employees Deferred Compensation Program
27 selected through a competitive bidding process may be utilized as
28 the initial provider for a period not to exceed the term of the
29 contract in effect on the effective date of this section of P.L. ,
30 c. (C.) (pending before the Legislature as this bill) including
31 extensions, to administer this program. Subsequent to the initial
32 contract, the Defined Contribution Retirement Program Board shall
33 select through a competitive bidding process a provider licensed or
34 otherwise authorized to transact business in New Jersey. This
35 provider shall be selected by competitive bidding in accordance
36 with all applicable State laws and regulations.

37
38 5. (New section) Participants in the Defined Contribution
39 Retirement Program shall be allowed to allocate their own
40 contributions and the contributions of their employer into
41 investment alternatives as determined by the Defined Contribution
42 Retirement Program Board, including, but not limited, to mutual
43 funds, subject to such rules and regulations as the Division of
44 Pensions and Benefits may adopt, in accordance with all Internal
45 Revenue Code rules and regulations. All moneys which are
46 deferred and deducted in accordance with the provisions of sections
47 1 through 19 of P.L. , c. (C.) (pending before the Legislature
48 as this bill) and the program shall remain assets of the State and

1 shall be invested in accordance with the provisions of this act and
2 the program. The obligation of the State to participating employees
3 and contractors shall be contractual only and no preferred or special
4 interest in the deferred moneys shall accrue to such employees or
5 contractors, except that all assets and income of the program shall
6 be held in trust for the exclusive benefit of participating employees
7 and their beneficiaries.

8
9 6. (New section) a. The retirement program shall, under a
10 group contract or contracts, provide life insurance and provide the
11 option of obtaining disability insurance benefits for all participants
12 in the retirement program on a basis to be determined by the State
13 Treasurer. The State Treasurer is authorized to promulgate
14 appropriate rules and regulations and perform other duties as
15 necessary for the implementation and operation of the program.

16 b. The State Treasurer is hereby authorized to purchase from
17 one or more insurance companies, as the State Treasurer shall
18 determine, group life insurance and disability benefit coverage to
19 provide for the death benefits and disability benefits in the amounts
20 specified in this act. Such group life insurance and disability
21 benefit coverage may be provided under one or more policies issued
22 to the State Treasurer specifically for this purpose or, in the
23 discretion of the State Treasurer, under one or more policies issued
24 to the State Treasurer which provide group life insurance coverage
25 for members of one or more pension funds or retirement systems of
26 the State of New Jersey. Any dividend or retrospective rate credit
27 allowed by an insurance company attributable to the retirement
28 program shall be credited to the funds available to meet the State's
29 obligations under the retirement program.

30 Premiums for such group insurance coverage shall be paid from
31 a special fund, hereby created, called the "Defined Contribution
32 Retirement Program Group Insurance Premium Fund." The State
33 Treasurer shall estimate annually the amount that will be required
34 for premiums for such benefits for the ensuing fiscal year and shall
35 certify such amounts that shall be applied to the total State and
36 other employer contributions due on behalf of the participants in the
37 retirement program from the State and other employers, depositing
38 such amounts in the premium fund. Additionally, employers shall
39 pay their share of the administrative costs of the program. The
40 intervals for all payments and the allocation of administrative costs
41 shall be determined by the Division of Pensions and Benefits
42 including due dates and penalties for non compliance.

43 During the period such group insurance policy or policies are in
44 effect with respect to participants in the retirement program, the
45 State Treasurer shall not commingle moneys in this fund with any
46 funds established under the retirement program.

47 c. A life insurance company shall meet the following
48 requirements in order to provide coverage under this section:

1 (1) be licensed under the laws of the State of New Jersey to
2 transact life and accidental death insurance, and the amount of its
3 group life insurance in the State of New Jersey shall, at the time the
4 insurance is to be purchased, equal at least 1% of the total amount
5 of such group life insurance in the State of New Jersey in all life
6 insurance companies; or

7 (2) come within the exceptions provided in P.L.1968, c.234
8 (C.17:32-16 et seq.).
9

10 7. (New section) The benefit under a group contract or
11 contracts providing life insurance shall be in an amount equal to
12 one and one-half the base annual salary of the participant in the
13 retirement program, except that in the event of death after
14 retirement, the amount payable shall equal 3/16 of the participant's
15 base annual salary. "Base annual salary" means the base salary
16 upon which contributions by the participant and the participant's
17 employer to the retirement program were based during the last year
18 of creditable service.

19 For purposes of this section, a participant shall be deemed to be
20 in service and covered by the group life insurance for a period of
21 official leave of absence without pay when such leave is due to
22 illness or any reason other than illness, with such period to be
23 determined by the Division of Pensions and Benefits, if satisfactory
24 evidence is presented to the division of such official leave of
25 absence. A participant shall be deemed to be on an official leave of
26 absence only if the leave is formally approved by the employer
27 prior to the time the leave commenced and timely notice is filed by
28 the employer with the division. If timely notice is not filed, the
29 employer shall be responsible for the payment of any benefits
30 pursuant to this section if the participant was otherwise eligible for
31 such benefits.

32 In the event of the death of a participant in active service in the
33 first year of participation as a result of an accident met in the actual
34 performance of duty at some definite time and place, the death
35 benefit payable pursuant to this section shall be computed at the
36 annual rate of base salary.

37 No beneficiary of a retired participant shall be entitled to receive
38 the death benefits payable in the event of death after retirement
39 pursuant to this section unless the participant either: had at least 25
40 years of credited participation in the retirement program established
41 pursuant to this act; or had at least 10 years of such credited
42 participation and had attained 60 years of age and was an actively
43 employed participant in the program in the year immediately
44 preceding initial receipt of a retirement annuity.
45

46 8. (New section) Any group life insurance policy or policies
47 shall include, with respect to any insurance terminating or reducing
48 because the participant has ceased to be in service or has retired, the

1 conversion privilege available upon termination of employment as
2 prescribed by the law relating to group life insurance, and shall also
3 include, with respect to life insurance terminating because of
4 termination of the group policy, the conversion privilege available
5 upon termination of the group policy as prescribed by such law.
6 Any such group policy or policies shall also provide that if the
7 participant dies within the 31-day period during which the
8 participant would be entitled to exercise the conversion privilege,
9 the amount of life insurance with respect to which the participant
10 could have exercised the conversion privilege shall be paid as a
11 claim under the group policy. When benefits payable upon the
12 death of a participant following retirement are determined as though
13 the participant had not retired, the death benefits payable under the
14 group policy or policies, together with the amount of life insurance
15 paid under any individual policy obtained under the conversion
16 privilege, shall in no event exceed the amount of insurance for
17 which the participant was insured under the group policy or policies
18 immediately prior to the date the right of conversion arose. If a
19 participant who has exercised the conversion privilege under the
20 group policy or policies while on leave of absence or upon
21 termination of employment again becomes a participant of the
22 retirement program and the individual policy obtained pursuant to
23 the conversion privilege is still in force, the participant shall not
24 again be eligible for any of the group life insurance provided under
25 such policy or policies without furnishing satisfactory evidence of
26 insurability.

27
28 9. (New section) Death benefits under the group life insurance
29 policy or policies shall be paid by the insurance company to such
30 person, if living, as the participant shall have nominated by written
31 designation duly executed and filed with the insurance company
32 through the policyholder, otherwise to the executors or
33 administrators of the participant's estate. A participant may file
34 with the insurance company through the policyholder and alter from
35 time to time during life, as desired, a duly attested written
36 nomination of the payee for the death benefit.

37
38 10. (New section) Any group life insurance policy or policies
39 shall provide that payment of any death benefits payable by the
40 insurance company may be made in one sum directly to the
41 beneficiary as hereinafter provided, in equal installments over a
42 period of years or as a life annuity or in such other manner as may
43 be made available by the insurance company. A participant may
44 make such arrangements for settlement, and may alter from time to
45 time during life any arrangement previously made, by making
46 written request to the insurance company through the policyholder.
47 Upon the death of the participant, a beneficiary to whom a benefit is

1 payable in one sum by the insurance company may likewise arrange
2 for a settlement as described above.

3
4 11. (New section) Any person entitled to become a participant
5 in the retirement program shall not be allowed any of the group life
6 insurance and disability benefits if on the date of filing an
7 application for participation the person is 60 or more years of age,
8 or if the person makes application for participation in the retirement
9 program beyond the year after first becoming eligible for
10 participation, regardless of age, unless the participant furnishes
11 satisfactory evidence of insurability and on the effective date of
12 participation is actively at work and performing all regular duties at
13 the customary place of employment.

14 The effective date of coverage for such benefits shall be the first
15 day of the month which immediately follows the date when such
16 evidence is determined to be satisfactory.

17 Such evidence of insurability shall not be required of any person
18 enrolling in the retirement program upon transfer from another
19 State-administered retirement system, if such retirement system
20 provided a benefit of a similar nature and the transferring person
21 was covered by such a benefit at the time of the transfer. If such
22 transferring person was not covered by such a benefit at the time of
23 the transfer, the person may be allowed the benefit under the group
24 policy or policies; however, any such person shall furnish
25 satisfactory evidence of insurability if he had been unable or failed
26 to give such evidence as a member of the retirement system from
27 which the person transferred.

28 Any person who must furnish satisfactory evidence of
29 insurability under the provisions of this section and who ceases to
30 be a participant in the retirement program without such evidence
31 having been given shall continue to be subject to the same
32 requirement if the person subsequently becomes a participant.

33
34 12. (New section) The designation of a death benefit beneficiary
35 by a participant or retiree shall be made in writing on a form
36 satisfactory to the Division of Pensions and Benefits and filed with
37 the division. The participant or retiree may, from time to time and
38 without the consent of the designee, change the beneficiary by
39 filing a written notice of the change on a satisfactory form. The
40 new nomination shall be effective on the date the notice, in proper
41 form, is received and any prior nomination shall thereupon become
42 void.

43 If more than one beneficiary is nominated and in such
44 nomination the participant or retiree has failed to specify their
45 respective interests, the beneficiaries shall share equally. If any
46 beneficiary predeceases the participant or retiree, the interest of that
47 beneficiary shall terminate and shall be shared equally by such of
48 the beneficiaries as survive the participant or retiree, unless the

1 participant or retiree has made written request to the contrary in the
2 beneficiary nomination.

3 Any amounts due for which there is no beneficiary at the death
4 of a participant, retiree or beneficiary shall be payable to the estate
5 of the participant, retiree or beneficiary.

6 Except with regard to the payment of the group life insurance
7 death benefit upon the death of a retiree, a participant may elect, by
8 making written request, that the whole or any part of the
9 participant's group life insurance death benefits be made payable to
10 the beneficiary either as a life annuity or in equal installments over
11 a period of years specified in such election, and may alter such
12 election from time to time during the participant's lifetime by again
13 making such written request. In the event of a change of
14 beneficiary, any previous arrangement by the participant or retiree
15 under this paragraph shall be void. The election set forth in this
16 paragraph shall not apply or be available when the beneficiary is an
17 estate, or a corporation, partnership, association, institution, trustee,
18 or any fiduciary.

19 If, at the participant's death, an amount of group life insurance
20 death benefit would be payable to the beneficiary in a single sum,
21 any election with regard to such amount that was available to the
22 participant immediately prior to death in accordance with the
23 preceding paragraph shall then be available to such beneficiary for
24 the benefit of the beneficiary.

25 With respect to any death benefits payable on the basis of the
26 individual retirement annuity contract or contracts, all settlement
27 options shall be made available to the participant, retiree or
28 beneficiary as are allowed by the insurer or insurers.

29 The provisions of this section shall be construed separately with
30 respect to each of the death benefits for which a beneficiary is
31 designated by the participant or retiree.

32

33 13. (New section) The disability benefit coverage provided
34 under a group policy or policies shall provide a monthly income if
35 the participant becomes totally disabled from occupational or
36 nonoccupational causes for a period of at least six consecutive
37 months following the effective date of the coverage. The monthly
38 disability benefit may be paid by the insurance company so long as
39 the participant remains disabled up to the seventieth birthday,
40 provided the disability commenced prior to the sixtieth birthday.
41 The benefit shall terminate when the participant is no longer
42 considered totally disabled or begins to receive retirement benefits.

43 The participant shall be considered totally disabled if the
44 participant is unable to perform each duty of the participant's
45 occupation and is under the regular care of a physician. After the
46 24 months following the commencement of such disability benefit
47 payments, the participant shall be unable to engage in any gainful
48 occupation for which the participant is reasonably fitted by

1 education, training or experience. Total disability shall not be
2 considered to exist if the participant is gainfully employed.
3 Following an agreement with the insurance company and the
4 policyholder, the participant may continue to receive disability
5 benefits for a limited time while performing some type of work.
6 During the period of rehabilitation, the monthly benefit shall be the
7 regular payment less 80% of the participant's earnings from such
8 rehabilitative position.

9 A participant shall be deemed to be in service and covered by the
10 disability benefit insurance provisions for a period of no more than
11 six months while on official leave of absence without pay if
12 satisfactory evidence is presented to the Division of Pensions and
13 Benefits that such leave of absence without pay is due to illness and
14 that the participant was not actively engaged in any gainful
15 occupation during such period of leave of absence without pay.

16 Disability benefit insurance provisions of the group policy or
17 policies shall not cover disability resulting from or contributed to
18 by pregnancy, act of war, intentionally self-inflicted injury, or
19 attempted suicide whether or not sane. For purposes of such
20 disability benefit coverage, the participant shall not be considered
21 to be disabled while the participant is imprisoned or while outside
22 the United States, its territories or possessions, or Canada.

23 If the participant has recovered from the disability for which the
24 member had received benefits and again becomes totally disabled
25 while insured, the later disability shall be regarded as a continuation
26 of the prior one unless the participant has returned to full-time
27 covered employment for at least six months. If the later absence is
28 due to an unrelated cause and the participant had returned to full-
29 time work, it shall be considered a new disability. The disability
30 benefit insurance cannot be converted to an individual policy.

31 No participant shall be covered by the disability benefit
32 provision of the group policy or policies except upon the
33 completion of one year of full-time continuous employment in a
34 position eligible for participation in the Defined Contribution
35 Retirement Program.

36
37 14. (New section) The disability benefit provided under a group
38 policy or policies shall be in an amount equal to 60% of the
39 participant's base monthly salary, reduced by periodic benefits to
40 which the participant may be entitled during the period of total
41 disability.

42 The periodic benefit by which the monthly disability benefit may
43 be reduced shall include salary or wages, retirement benefits or
44 benefits from any source for which the State or other public
45 employer has paid any part of the cost or made payroll deductions,
46 Social Security disability or other benefits, including dependents'
47 benefits, and benefits paid by Social Security at the option of the
48 participant before the age of 65, but not including any increase in

1 Social Security benefits enacted after the disability benefit under
2 such group policy or policies have commenced, and any other
3 periodic benefits provided by law except on account of military
4 service.

5 When a participant begins to receive a disability benefit under
6 such group policy or policies, the insurance company shall pay an
7 amount equal to the employee contribution which would have been
8 required of the participant and deducted from the participant's base
9 salary in order to meet the participant's obligation for the program.
10 Such amount shall be paid by the insurance company without
11 reduction by any other periodic benefit which the participant is
12 eligible to receive. Such amount shall be paid by the insurance
13 company to the insurer or insurers for the participant's retirement
14 annuity.

15 Premiums for such disability coverage shall be paid from a
16 special fund, hereby created, called the "Defined Contribution
17 Retirement Program Disability Premium Fund." The State
18 Treasurer shall estimate annually the amount that will be required
19 for premiums for such benefits for the ensuing fiscal year and shall
20 certify such amounts that shall be applied to the total State and
21 other employer contributions due on behalf of the participants in the
22 retirement program from the State and other employers, depositing
23 such amounts in the premium fund. Additionally, employers will
24 pay their share of the administrative costs of the program. The
25 intervals for all payments and the allocation of administrative costs
26 shall be determined by the Division of Pensions and Benefits
27 including due dates and penalties for non compliance.

28
29 15. (New section) Notwithstanding any other provision of law,
30 an insurance company or companies issuing such policy or policies
31 may credit the policyholder either directly or in the form of reduced
32 premiums, with savings by the company or companies in the event
33 that no brokerage commission or commissions are paid by the
34 company or companies on the issuance of such policy or policies.

35 No employer obligations shall be paid when the participant is on
36 a leave of absence without pay or when the participant no longer is
37 enrolled in the retirement program.

38 The group disability insurance policy or policies shall provide a
39 participant with an opportunity to purchase additional coverage.

40 A participant who is disabled and receiving a benefit shall
41 remain eligible for employer-provided healthcare benefits coverage
42 in the same manner as such coverage is provided by the employer to
43 retirees of the retirement system.

44

45 16. Section 1 of P.L.1986, c.188 (C.43:3C-9) is amended to read
46 as follows:

47 1. The mandatory contributions by members or participants to
48 the Teachers' Pension and Annuity Fund required by N.J.S.18A:66-

1 31, to alternate benefit providers under the alternate benefit
2 program required by section 8 of P.L.1969, c.242 (C.18A:66-174),
3 to the Judicial Retirement System required by section 26 of
4 P.L.1981, c.470 (C.43:6A-34.1), to the Prison Officers' Pension
5 Fund required by section 7 of P.L.1941, c.220 (C.43:7-13), to the
6 Public Employees' Retirement System required by section 25 of
7 P.L.1954, c.84 (C.43:15A-25), to the Defined Contribution
8 Retirement Program required by section 3 of P.L. , c. (C.)
9 (pending before the Legislature as this bill), to the Consolidated
10 Police and Firemen's Pension Fund required by R.S.43:16-5, to the
11 Police and Firemen's Retirement System required by section 15 of
12 P.L.1944, c.255 (C.43:16A-15), and to the State Police Retirement
13 System required by section 38 of P.L.1965, c.89 (C.53:5A-38), shall
14 be picked up by their employers and shall be treated as employer
15 contributions as provided by section 414(h) of the United States
16 Internal Revenue Code. The amount of contributions on behalf of
17 each member shall continue to be included as regular compensation
18 for all other purposes, except that the amount shall not be included
19 in the computation of federal income taxes withheld from the
20 member's compensation.

21 (cf: P.L.1993, c.385, s.12)

22

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

25 7. There is hereby established the Public Employees'
26 Retirement System of New Jersey in the Division of Pensions and
27 Benefits of the Department of the Treasury. The membership of the
28 retirement system shall include:

29 a. The members of the former "State Employees' Retirement
30 System of New Jersey" enrolled as such as of December 30, 1954,
31 who shall not have claimed for refund their accumulated deductions
32 in said system as provided in this section;

33 b. Any person becoming an employee of the State or other
34 employer after January 2, 1955 and every veteran, other than a
35 retired member who returns to service pursuant to subsection b. of
36 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
37 whose appointments are seasonal, becoming an employee of the
38 State or other employer after such date, including a temporary
39 employee with at least one year's continuous service. The
40 membership of the retirement system shall not include those
41 persons appointed to serve as described in paragraphs (2) and (3) of
42 subsection a. of section 2 of P.L. , c. (C.)(pending before
43 the Legislature as this bill), except a person who was a member of
44 the retirement system prior to the effective date of sections 1
45 through 19 of P.L. , c. (C.)(pending before the Legislature
46 as this bill) and continuously thereafter; and

1 c. Every employee veteran in the employ of the State or other
2 employer on January 2, 1955, who is not a member of any
3 retirement system supported wholly or partly by the State.

4 d. Membership in the retirement system shall be optional for
5 elected officials other than veterans, and for school crossing guards,
6 who having become eligible for benefits under other pension
7 systems are so employed on a part-time basis. Elected officials
8 commencing service on or after the effective date of sections 1
9 through 19 of P.L. , c. (C.) (pending before the Legislature
10 as this bill) shall not be eligible for membership in the retirement
11 system based on service in the elective public office, except that an
12 elected official enrolled in the retirement system as of that effective
13 date who continues to hold that elective public office without a
14 break in service shall be eligible to continue membership in the
15 retirement system under the terms and conditions of enrollment.
16 Service in the Legislature shall be considered a single elective
17 public office. Any [such] part-time school crossing guard who is
18 eligible for benefits under any other pension system and who was
19 hired as a part-time school crossing guard prior to March 4, 1976,
20 may at any time terminate his membership in the retirement system
21 by making an application in writing to the board of trustees of the
22 retirement system. Upon receiving such application, the board of
23 trustees shall terminate his enrollment in the system and direct the
24 employer to cease accepting contributions from the member or
25 deducting from the compensation paid to the member. State
26 employees who become members of any other retirement system
27 supported wholly or partly by the State as a condition of
28 employment shall not be eligible for membership in this retirement
29 system. Notwithstanding any other law to the contrary, all other
30 persons accepting employment in the service of the State shall be
31 required to enroll in the retirement system as a condition of their
32 employment, regardless of age. No person in employment, office or
33 position, for which the annual salary or remuneration is fixed at less
34 than \$1,500.00, shall be eligible to become a member of the
35 retirement system.

36 e. Membership of any person in the retirement system shall
37 cease if he shall discontinue his service for more than two
38 consecutive years.

39 f. The accumulated deductions of the members of the former
40 "State Employees' Retirement System" which have been set aside
41 in a trust fund designated as Fund A as provided in section 5 of this
42 act and which have not been claimed for refund prior to February 1,
43 1955 shall be transferred from said Fund A to the Annuity Savings
44 Fund of the Retirement System, provided for in section 25 of this
45 act. Each member whose accumulated deductions are so transferred
46 shall receive the same prior service credit, pension credit, and
47 membership credit in the retirement system as he previously had in
48 the former "State Employees' Retirement System" and shall have

1 such accumulated deductions credited to his individual account in
2 the Annuity Savings Fund. Any outstanding obligations of such
3 member shall be continued.

4 g. Any school crossing guard electing to terminate his
5 membership in the retirement system pursuant to subsection d. of
6 this section shall, upon his request, receive a refund of his
7 accumulated deductions as of the date of his appointment to the
8 position of school crossing guard. Such refund of contributions
9 shall serve as a waiver of all benefits payable to the employee, to
10 his dependent or dependents, or to any of his beneficiaries under the
11 retirement system.

12 h. A temporary employee who is employed under the federal
13 **【Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C. s.1501)】**
14 Workforce Investment Act shall not be eligible for membership in
15 the system. Membership for temporary employees employed under
16 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.
17 s.1501) who are in the system on September 19, 1986 shall be
18 terminated, and affected employees shall receive a refund of their
19 accumulated deductions as of the date of commencement of
20 employment in a federal Job Training Partnership Act program.
21 Such refund of contributions shall serve as a waiver of all benefits
22 payable to the employee, to his dependent or dependents, or to any
23 of his beneficiaries under the retirement system.

24 i. Membership in the retirement system shall be optional for a
25 special service employee who is employed under the federal Older
26 American Community Service Employment Act, Pub.L.94-135 (42
27 U.S.C. s.3056). Any special service employee employed under the
28 federal Older American Community Service Employment Act,
29 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
30 on the effective date of P.L.1996, c.139 may terminate membership
31 in the retirement system by making an application in writing to the
32 board of trustees of the retirement system. Upon receiving the
33 application, the board shall terminate enrollment in the system and
34 the member shall receive a refund of accumulated deductions as of
35 the date of commencement of employment in a federal Older
36 American Community Service Employment Act program. This
37 refund of contributions shall serve as a waiver of all benefits
38 payable to the employee, to any dependent or dependents, or to any
39 beneficiary under the retirement system.

40 j. An employee of the South Jersey Port Corporation who was
41 employed by the South Jersey Port Corporation as of the effective
42 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
43 employed within 365 days of such effective date by a subsidiary
44 corporation or other corporation, which has been established by the
45 Delaware River Port Authority pursuant to subdivision (m) of
46 Article I of the compact creating the Delaware River Port Authority
47 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-

1 146), shall be eligible to continue membership while an employee
2 of such subsidiary or other corporation.

3 (cf: P.L.1997, c.150, s.23)

4

5 18. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
6 read as follows:

7 75. (a) If this act is so adopted it shall become effective in the
8 county or municipality adopting it on June 30 of the following year.
9 Membership in the Public Employees' Retirement System shall be
10 optional with the employees of the county, board of education or
11 municipality in the service on the day the act becomes effective or
12 on June 30, 1966, whichever is earlier, in such county, board of
13 education or municipality except in the case of public employee
14 veterans who on such date are members. An employee who elects
15 to become a member within one year after this act so takes effect
16 shall be entitled to prior service covering service rendered to the
17 county, board of education or municipality prior to July 1, 1966 or
18 prior to the date this act so becomes effective, whichever is earlier.
19 Membership shall be compulsory for all employees entering the
20 service of the county, board of education or municipality on July 1,
21 1966 or after the date this act becomes effective, whichever is
22 earlier. Where any such employee entering the service of the
23 county, board of education of education or municipality after the
24 date this act so becomes effective has had prior service for which
25 evidence satisfactory to the retirement system is presented, as an
26 employee in such county, board of education or municipality before
27 the date upon which this act so becomes effective, or July 1, 1966,
28 whichever is earlier, such employee shall be entitled to prior service
29 covering service rendered to the county, board of education or
30 municipality prior to the date this act so becomes effective, or July
31 1, 1966, whichever is earlier.

32 (b) Notwithstanding the provisions of section 74 of this act and
33 subsection (a) of this section, every person, other than a non-veteran
34 elected official, becoming an employee of a county, board of
35 education, municipality or school district after June 30, 1966, who
36 is not eligible to become a member of another retirement system,
37 shall be required to become a member of the Public Employees'
38 Retirement System. Notwithstanding the provisions of section 74
39 of this act and subsection (a) of this section, membership in the
40 retirement system shall be optional with any elected official who is
41 not a veteran, regardless of the date he assumes office, and with any
42 other person in the employ of any county, board of education,
43 municipality or school district on June 30, 1966, provided such
44 elected official or other person is not then a member and is not
45 required to be a member of the retirement system pursuant to
46 another provision of this act, and provided further that such person
47 is not eligible to be a member of another retirement system.
48 Elected officials commencing service on or after the effective date

1 of sections 1 through 19 of P.L. _____, c. _____ (C. _____) (pending before
2 Legislature as this bill) shall not be eligible for membership in the
3 retirement system based on service in the elective public office,
4 except that an elected official enrolled in the retirement system as
5 of that effective date who continues to hold that elective public
6 office without a break in service shall be eligible to continue
7 membership in the retirement system under the terms and
8 conditions of enrollment.

9 The provisions of this subsection shall not apply to any person
10 whose position is temporary or seasonal, nor to any person in
11 office, position or employment for which the annual salary or
12 remuneration is fixed at less than \$1,500.00, nor to any person
13 whose position is not covered by the old age and survivors'
14 insurance provisions of the federal Social Security Act. No credit
15 shall be allowed to any person becoming a member of the
16 retirement system pursuant to this subsection for service rendered to
17 the employer prior to July 1, 1966, until the provisions of section 74
18 of this act have been complied with, in which event such credit
19 shall be allowed in accordance with the provisions of subsection (a)
20 of this section; except that the governing body of any county, board
21 of education or municipality may, by resolution, consent to the
22 allowance of such credit and file a certified copy of such resolution
23 with the board of trustees of the Public Employees' Retirement
24 System.

25 (cf: P.L.1986, c.139, s.4)

26

27 19. Section 1 of P.L.1972, c.167 (C.43:15A-135) is amended to
28 read as follows:

29 1. **【Notwithstanding the provisions of P.L.1954, c. 84, s. 7d (C.**
30 **43:15A-7d), all members of the Legislature shall become members**
31 **of the retirement system, subject to all benefits and requirements of**
32 **membership】** Members of the Legislature commencing service on
33 or after the effective date of sections 1 through 19 of P.L. _____,
34 c. _____ (C. _____) (pending before the Legislature as this bill) shall not be
35 eligible for membership in the retirement system based on service
36 in that elective office. A member of the Legislature enrolled in the
37 retirement system as of that effective date who continues to hold
38 office as a member of the Legislature without a break in service
39 shall be eligible to continue membership in the retirement system
40 under the terms and conditions of the member's enrollment.

41 (cf: P.L.1972, c.167, s.1)

42

43 20. (New section) a. A person who performs professional
44 services for a political subdivision of this State or of a board of
45 education, or of any agency, authority or instrumentality thereof,
46 under a professional services contract awarded in accordance with
47 section 5 of P.L.1971, c.198 (C.40A:11-5), N.J.S.18A:18A-5 or
48 section 5 of P.L.1982, c.189 (C.18A:64A-25.5), on the basis of

1 performance of the contract, shall not be eligible for membership in
2 the Public Employees' Retirement System. A person who is a
3 member of the retirement system as of the effective date of P.L. ,
4 c. (C.)(pending before the Legislature as this bill) shall not
5 accrue service credit on the basis of that performance following the
6 expiration of an agreement or contract in effect on the effective
7 date. Nothing contained in this paragraph shall be construed as
8 affecting the provisions of any agreement or contract in effect on
9 the effective date of P.L. , c. (C.)(pending before the
10 Legislature as this bill), whether or not the agreement or contract
11 specifically provides by its terms for membership in the retirement
12 system. No renewal, extension, modification, or other agreement or
13 action to continue any professional services contract in effect on the
14 effective date of P.L. , c. (C.)(pending before the Legislature
15 as this bill) beyond its current term shall have the effect of
16 continuing the membership of a person in the retirement system or
17 continuing the accrual of service credit on the basis of performance
18 of the contract.

19 b. A person who performs professional services as a part-time
20 officer or employee of a political subdivision of this State or of a
21 board of education, or of any agency, authority or instrumentality
22 thereof, and who is concurrently the sole proprietor, owner, partner,
23 associate, officer or employee of a business entity, or who
24 concurrently owns or controls more than 1% of the stock of a
25 corporation, which is primarily engaged on a full-time basis in
26 providing professional services of substantially the same type or
27 nature to public entities or to a business entity or business entities,
28 shall not be eligible, on the basis of performance of those
29 professional services as a public officer or employee, for
30 membership in the Public Employees' Retirement System. A
31 person who is a member of the retirement system on the effective
32 date of P.L. , c. (C.)(pending before the Legislature as this
33 bill) shall not accrue service credit on the basis of that performance
34 following the expiration of an agreement or contract in effect on the
35 effective date.

36 Nothing contained in this subsection shall be construed as
37 affecting the provisions of any agreement or contract of
38 employment in effect on the effective date of P.L. , c. (C.)
39 (pending before the Legislature as this bill), whether or not the
40 agreement or contract specifically provides by its terms for
41 membership in the retirement system. No renewal, extension,
42 modification, or other agreement or action to continue any such
43 agreement or contract in effect on the effective date of P.L. ,
44 c. (C.) (pending before the Legislature as this bill) beyond its
45 current term shall have the effect of continuing the membership of a
46 person in the retirement system or continuing the accrual of service
47 credit on the basis of performance of the agreement or contract.

1 As used in this subsection, “business entity” means any natural
2 or legal person, business corporation, professional services
3 corporation, limited liability company, partnership, limited
4 partnership, business trust, association or any other legal
5 commercial entity organized under the laws of this State or of any
6 other state or foreign jurisdiction; and “part-time” means less than
7 35 hours per week.

8 As used in this subsection, the term “professional services” shall
9 have the meaning set forth in section 2 of P.L.1971, c.198
10 (C.40A:11-2), except that it shall not include a service provided by
11 a part-time officer or employee who holds a professional license or
12 certificate to perform and is performing as a certified health officer,
13 tax assessor, tax collector, municipal planner, chief financial
14 officer, registered municipal clerk, construction code official,
15 licensed uniform subcode inspector, qualified purchasing agent, or
16 certified public works manager.

17

18 21. (New section) a. With respect to all claims for benefits
19 under the Teachers’ Pension and Annuity Fund, the Public
20 Employees’ Retirement System, the Judicial Retirement System, the
21 Police and Firemen’s Retirement System, or the State Police
22 Retirement System submitted on or after the effective date of
23 P.L. , c. (C.)(pending before the Legislature as this bill),
24 the Division of Pensions and Benefits shall investigate increases in
25 compensation reported for credit that exceed reasonably anticipated
26 annual compensation increases for members of the retirement
27 system based upon consideration of the Consumer Price Index for
28 the time period of the increases, the table of assumed salary
29 increases recommended by the system’s actuary and adopted by the
30 board of trustees of the retirement system, and the annual
31 percentage increases of salaries as indicated in data from the Public
32 Employment Relations Commission established pursuant to
33 P.L.1941, c.100 (C.34:13A-1 et seq.) or through other reliable
34 industry sources of information regarding average annual salary
35 increases.

36 b. Those cases in which a violation of the relevant statute or
37 regulation is suspected shall be referred to the board of trustees of
38 the relevant retirement system for further action.

39

40 22. Section 2 of P.L.2001, c.259 (C.43:15A-143) is amended to
41 read as follows:

42 2. Notwithstanding the provisions of any other law, workers
43 compensation judges shall be members of the Workers
44 Compensation Judges Part, established pursuant to this act,
45 P.L.2001, c.259 (C.43:15A-142 et seq.), of the Public Employees’
46 Retirement System, established pursuant to P.L.1954, c.84
47 (C.43:15A-1 et seq.), if enrolled in the part prior to the effective
48 date of P.L. , c. (C.)(pending before the Legislature as this

1 bill) and shall be subject to the same membership and benefit
2 provisions as State employees, except as provided by P.L.2001,
3 c.259. Membership in the retirement system shall be a condition of
4 employment for service as a judge of compensation for a judge
5 enrolled in the part prior to the effective date of P.L. _____,
6 c. (C. _____) (pending before the Legislature as this bill).

7 A workers compensation judge who becomes a member of the
8 retirement system on or after the effective date of P.L. _____,
9 c. (C. _____)(pending before the Legislature as this bill) shall not
10 be a member of the Workers Compensation Judges Part and the
11 provisions of P.L.2001, c.259 (C.43:15A-142 et seq.) shall not
12 apply to such judge or the judge's survivors.

13 (cf: P.L.2001, c.259, s.2)

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

17 15. (1) The contributions required for the support of the
18 retirement system shall be made by members and their employers.

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

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

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

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

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

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

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

1 when deducted shall be paid into said annuity savings fund, and
2 shall be credited to the individual account of the member from
3 whose salary said deduction was made.

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

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

1 actuary, the rate of increase for the contribution and the time period
2 for full funding of this liability, which shall not exceed 30 years.
3 This shall be known as the "accrued liability contribution."
4 Thereafter, 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 30 years.
9 If an increase in the amortization period as a result of actuarial
10 losses for a valuation year would exceed 30 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. The State may pay all or
14 any portion of its unfunded accrued liability under the retirement
15 system from any source of funds legally available for the purpose,
16 including, without limitation, the proceeds of bonds authorized by
17 law for this purpose.

18 The value of the assets to be used in the computation of the
19 contributions provided for under this section for valuation periods
20 shall be the value of the assets for the preceding valuation period
21 increased by the regular interest rate, plus the net cash flow for the
22 valuation period (the difference between the benefits and expenses
23 paid by the system and the contributions to the system) increased by
24 one half of the regular interest rate, plus 20% of the difference
25 between this expected value and the full market value of the assets
26 as of the end of the valuation period. This shall be known as the
27 "valuation assets." Notwithstanding the first sentence of this
28 paragraph, the valuation assets for the valuation period ending June
29 30, 1995 shall be the full market value of the assets as of that date
30 and, with respect to the valuation assets allocated to the State, shall
31 include the proceeds from the bonds issued pursuant to the "Pension
32 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
33 seq.), paid to the system by the New Jersey Economic Development
34 Authority to fund the unfunded accrued liability of the system.
35 Notwithstanding the first sentence of this paragraph, the percentage
36 of the difference between the expected value and the full market
37 value of the assets to be added to the expected value of the assets
38 for the valuation period ending June 30, 1998 for the State shall be
39 100% and for other employers shall be 57% plus such additional
40 percentage as is equivalent to \$150,000,000. Notwithstanding the
41 first sentence of this paragraph, the amount of the difference
42 between the expected value and the full market value of the assets
43 to be added to the expected value of the assets for the valuation
44 period ending June 30, 1999 shall include an additional amount of
45 the market value of the assets sufficient to fund (1) the unfunded
46 accrued liability for the supplementary "special retirement"
47 allowances provided under subsection b. of section 16 of P.L.1964,
48 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the

1 full credit toward benefits under the retirement system for service
2 credited in the Public Employees' Retirement System and
3 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
4 and the reimbursement of the cost of any credit purchase pursuant
5 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
6 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

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

45 If there are excess valuation assets allocated to the State or to the
46 other employers for the valuation period ending June 30, 1995, the
47 normal contributions payable by the State or by the other employers
48 for the valuation periods ending June 30, 1995, and June 30, 1996

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

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

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

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

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

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

30 (4) for valuation periods ending **[on or after]** June 30, 2003
31 through June 30, 2007, to the extent possible by up to 50% of the
32 excess valuation assets allocated to the State or to the other
33 employers, respectively.

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

43 As of the valuation report in which the funded level is in excess
44 of 104%, an amount equal to the present value of the future normal
45 contributions for the benefits provided by P.L.2003, c.108 as
46 amending section 16 of P.L.1964, c.241 (C.43:16A-11.1), shall be
47 credited to the benefit enhancement fund. If there are excess
48 valuation assets after reductions in normal contributions as

1 authorized in the preceding paragraphs, for a valuation period
2 beginning with the valuation period in which the benefits provided
3 by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by
4 P.L.2003, c.108 apply, an amount of excess valuation assets not to
5 exceed the amount of the member contributions for the fiscal year
6 in which the normal contributions are payable shall be credited to
7 the benefit enhancement fund. The amount of excess valuation
8 assets credited to the benefit enhancement fund shall not exceed the
9 present value of the expected additional normal and accrued
10 liability contributions attributable to the provisions of section 16 of
11 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108,
12 payable on behalf of the active members over the expected working
13 lives of the active members in accordance with the tables of
14 actuarial assumptions for the valuation period. No additional
15 excess valuation assets shall be credited to the benefit enhancement
16 fund after the maximum amount is attained. Interest shall be
17 credited to the benefit enhancement fund.

18 The normal and accrued liability contributions for the increased
19 benefits for active employees under section 16 of P.L.1964, c.241
20 (C.43:16A-11.1), as amended by P.L.2003, c.108, shall be paid
21 from the benefit enhancement fund. If assets in the benefit
22 enhancement fund are insufficient to pay the normal and accrued
23 liability contributions for the increased benefits for a valuation
24 period, the retirement system shall pay the amount of normal and
25 accrued liability contributions for the increased benefits not covered
26 by assets from the benefit enhancement fund.

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

32 Notwithstanding the preceding sentence, the normal and accrued
33 liability contributions to be included in the budget of and paid by
34 the employer other than the State shall be as follows: for the
35 payment due in the State fiscal year ending on June 30, 2004, 20%
36 of the amount certified by the retirement system; for the payment
37 due in the State fiscal year ending on June 30, 2005, a percentage of
38 the amount certified by the retirement system as the State Treasurer
39 shall determine but not more than 40%; for the payment due in the
40 State fiscal year ending on June 30, 2006, a percentage of the
41 amount certified by the retirement system as the State Treasurer
42 shall determine but not more than 60%; and for the payment due in
43 the State fiscal year ending on June 30, 2007, a percentage of the
44 amount certified by the retirement system as the State Treasurer
45 shall determine but not more than 80%.

46 (10) The treasurer or corresponding officer of the employer shall
47 pay to the State Treasurer no later than April 1 of the State's fiscal
48 year in which payment is due the amount so certified as payable by

1 the employer, and shall pay monthly to the State Treasurer the
2 amount of the deductions from the salary of the members in the
3 employ of the employer, and the State Treasurer shall credit such
4 amount to the appropriate fund or funds, of the retirement system.

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

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

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

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

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

30 (14) Commencing with valuation year 1991, with payment to be
31 made in Fiscal Year 1994, the Legislature shall annually
32 appropriate and the State Treasurer shall pay into the pension
33 accumulation fund of the retirement system an amount equal to
34 1.1% of the compensation of the members of the system for the
35 valuation year to fund the benefits provided by section 16 of
36 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

42 (16) The savings realized as a result of the amendments to this
43 section by P.L.2001, c.44 in the payment of normal contributions
44 computed by the actuary for the valuation periods ending June 30,
45 1998 for employers other than the State shall be used solely and
46 exclusively by a county or municipality for the purpose of reducing
47 the amount that is required to be raised by the local property tax
48 levy by the county for county purposes or by the municipality for

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

11 (cf: P.L.2003, c.108, s.3)

12

13 24. N.J.S.18A:66-18 is amended to read as follows:

14 18A:66-18. The contingent reserve fund shall be the fund in
15 which shall be credited contributions made by the State and other
16 employers.

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

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

1 accrued liability, unless an increase in the amortization period will
2 cause it to exceed 30 years. If an increase in the amortization
3 period as a result of actuarial losses for a valuation year would
4 exceed 30 years, the accrued liability contribution shall be
5 computed for the valuation year in the same manner provided for
6 the computation of the initial accrued liability contribution under
7 this section. The State may pay all or any portion of its unfunded
8 accrued liability under the retirement system from any source of
9 funds legally available for the purpose, including, without
10 limitation, the proceeds of bonds authorized by law for this purpose.

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

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

- 31 (1) the valuation assets; less
- 32 (2) the actuarial accrued liability for basic benefits and pension
33 adjustment benefits, excluding the unfunded accrued liability for
34 early retirement incentive benefits pursuant to P.L.1991, c.231 and
35 P.L.1993, c.163 for employers other than the State; less
- 36 (3) the contributory group insurance premium fund created by
37 N.J.S.18A:66-77; less
- 38 (4) the post-retirement medical premium fund created pursuant
39 to section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by
40 section 3 of P.L.1994, c.62; less
- 41 (5) the present value of the projected total normal cost for
42 pension adjustment benefits in excess of the projected total phased-
43 in normal cost for pension adjustment benefits as originally
44 authorized by section 2 of P.L.1987, c.385 (C.18A:66-18.1) over
45 the full phase-in period, determined in the manner prescribed for
46 the determination and amortization of the unfunded accrued liability
47 of the system, if the sum of the foregoing items is greater than zero.

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

16 (1) for valuation periods ending March 31, 1997 through March
17 31, 2001, to the extent possible by up to 100% of the excess
18 valuation assets;

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

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

23 (4) for valuation periods ending [on or after] March 31, 2004
24 through June 30, 2007, to the extent possible by up to 50% of the
25 excess valuation assets.

26 For calendar years 1998 and 1999, the rate of contribution of
27 members of the retirement system under N.J.S.18A:66-29 shall be
28 reduced by 1/2 of 1% from excess valuation assets. For calendar
29 years 2000 and 2001, the rate of contribution of members of the
30 retirement system shall be reduced equally with normal
31 contributions to the extent possible, but not more than 1/2 of 1%,
32 from excess valuation assets. Thereafter, through calendar year
33 2007, the rate of contribution of members of the retirement system
34 under that section for a calendar year shall be reduced equally with
35 normal contributions to the extent possible, but not by more than
36 2%, from excess valuation assets if the State Treasurer determines
37 that excess valuation assets shall be used to reduce normal
38 contributions by the State for the fiscal year beginning immediately
39 prior to the calendar year, and excess valuation assets above the
40 amount necessary to fund the reduction for that calendar year in the
41 member contribution rate plus an equal reduction in the normal
42 contribution shall be available for the further reduction of normal
43 contributions, subject to the limitations prescribed by this
44 subsection.

45 If there are excess valuation assets after reductions in normal
46 contributions and member contributions as authorized in the
47 preceding paragraphs for a valuation period beginning with the
48 valuation period ending June 30, 1999, an amount of excess

1 valuation assets not to exceed the amount of the member
2 contributions for the fiscal year in which the normal contributions
3 are payable shall be credited to the benefit enhancement fund. The
4 amount of excess valuation assets credited to the benefit
5 enhancement fund shall not exceed the present value of the
6 expected additional normal contributions attributable to the
7 provisions of P.L.2001, c.133 payable on behalf of the active
8 members over the expected working lives of the active members in
9 accordance with the tables of actuarial assumptions for the
10 valuation period. No additional excess valuation assets shall be
11 credited to the benefit enhancement fund after the maximum
12 amount is attained. Interest shall be credited to the benefit
13 enhancement fund as provided under N.J.S.18A:66-25.

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

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

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

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

31 f. The disbursements for benefits not covered by reserves in
32 the system on account of veterans shall be met by direct
33 contribution of the State.

34 (cf: P.L.2001, c.133, s.2)

35

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

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

46 b. Upon the basis of the tables recommended by the actuary
47 which the commission adopts and regular interest, the actuary shall
48 annually determine if there is an amount of the accrued liability of

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

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

46 “Excess valuation assets” means the valuation assets for a
47 valuation period less the actuarial accrued liability for the valuation
48 period, if the sum is greater than zero. If there are excess valuation

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

13 (1) for valuation periods ending June 30, 1997 through June 30,
14 2001, to the extent possible by up to 100% of the excess valuation
15 assets;

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

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

20 (4) for valuation periods ending **【on or after】** June 30, 2004
21 through June 30, 2007, to the extent possible by up to 50% of the
22 excess valuation assets.

23 c. The actuary shall certify annually the aggregate amount
24 payable to the contingent reserve fund in the ensuing year, which
25 amount shall be equal to the sum of the amounts described in this
26 section. The State shall pay into the contingent reserve fund during
27 the ensuing year the amount so determined.

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

32 d. (Deleted by amendment, P.L.1992, c.125.)
33 (cf: P.L.1997, c.115, s.3)
34

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

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

39 a. 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 March 31, 1992, 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 b. With respect to employers other than the State, upon the
48 basis of the tables recommended by the actuary which the board

1 adopts and regular interest, the actuary shall compute the amount of
2 the accrued liability of the retirement system as of March 31, 1992
3 under the projected unit credit method, excluding the liability for
4 pension adjustment benefits for active employees funded pursuant
5 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
6 covered by the assets of the retirement system, valued in accordance
7 with the asset valuation method established in this section. Using
8 the total amount of this unfunded accrued liability, the actuary shall
9 compute the initial amount of contribution which, if the
10 contribution is increased at a specific rate and paid annually for a
11 specific period of time, will amortize this liability. The State
12 Treasurer shall determine, upon the advice of the Director of the
13 Division of Pensions and Benefits, the board of trustees and the
14 actuary, the rate of increase for the contribution and the time period
15 for full funding of this liability, which shall not exceed 40 years on
16 initial application of this section as amended by this act, P.L.1994,
17 c.62. This shall be known as the "accrued liability contribution."
18 Any increase or decrease in the unfunded accrued liability as a
19 result of actuarial losses or gains for the 10 valuation years
20 following valuation year 1992 shall serve to increase or decrease,
21 respectively, the unfunded accrued liability contribution.
22 Thereafter, any increase or decrease in the unfunded accrued
23 liability as a result of actuarial losses or gains for subsequent
24 valuation years shall serve to increase or decrease, respectively, the
25 amortization period for the unfunded accrued liability, unless an
26 increase in the amortization period will cause it to exceed 30 years.
27 If an increase in the amortization period as a result of actuarial
28 losses for a valuation year would exceed 30 years, the accrued
29 liability contribution shall be computed for the valuation year in the
30 same manner provided for the computation of the initial accrued
31 liability contribution under this section.

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

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

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

36 “Excess valuation assets” for a valuation period means, with
37 respect to the valuation assets allocated to the State:

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

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

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

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

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

15 (3) the contributory group insurance premium fund, created by
16 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
17 4 of P.L.1960, c.79; less

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

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

44 (1) for valuation periods ending March 31, 1997 through March
45 31, 2001, to the extent possible by up to 100% of the excess
46 valuation assets allocated to the State or to the other employers,
47 respectively;

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

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

7 (4) for valuation periods ending **[on or after]** March 31, 2004
8 through June 30, 2007, to the extent possible by up to 50% of the
9 excess valuation assets allocated to the State or to the other
10 employers, respectively.

11 For calendar years 1998 and 1999, the rate of contribution of
12 members of the retirement system under section 25 of P.L.1954,
13 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
14 valuation assets and for calendar years 2000 and 2001, the rate of
15 contribution shall be reduced by 2% from excess valuation assets.
16 Thereafter, through calendar year 2007, the rate of contribution of
17 members of the retirement system under that section for a calendar
18 year shall be reduced equally with normal contributions to the
19 extent possible, but not by more than 2%, from excess valuation
20 assets if the State Treasurer determines that excess valuation assets
21 shall be used to reduce normal contributions by the State and local
22 employers for the fiscal year beginning immediately prior to the
23 calendar year, or for the calendar year for local employers whose
24 fiscal year is the calendar year, and excess valuation assets above
25 the amount necessary to fund the reduction for that calendar year in
26 the 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 section 33 of P.L.1954, c.84
47 (C.43:15A-33).

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

8 c. The retirement system shall certify annually the aggregate
9 amount payable to the contingent reserve fund in the ensuing year,
10 which amount shall be equal to the sum of the amounts described in
11 this section.

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

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.2003, c.108, s.1)

31

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

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

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

44 b. Upon the basis of the tables recommended by the actuary
45 which the board adopts and regular interest, the actuary shall
46 annually determine if there is an amount of the accrued liability of
47 the retirement system, computed under the projected unit credit
48 method, which is not already covered by the assets of the retirement

1 system, valued in accordance with the asset valuation method
2 established in this section. This shall be known as the “unfunded
3 accrued liability.” If there was no unfunded accrued liability for the
4 valuation period immediately preceding the current valuation
5 period, the actuary, using the total amount of this unfunded accrued
6 liability, shall compute the initial amount of contribution which, if
7 the contribution is increased at a specific rate and paid annually for
8 a 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 rate of increase for the contribution and the time period
12 for full funding of this liability, which shall not exceed 30 years.
13 This shall be known as the “accrued liability contribution.”
14 Thereafter, 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 30 years.
19 If an increase in the amortization period as a result of actuarial
20 losses for a valuation year would exceed 30 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. The State may pay all or
24 any portion of its unfunded accrued liability under the retirement
25 system from any source of funds legally available for the purpose,
26 including, without limitation, the proceeds of bonds authorized by
27 law for this purpose.

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

45 “Excess valuation assets” means the valuation assets for a
46 valuation period less the actuarial accrued liability for the valuation
47 period, if the sum is greater than zero. If there are excess valuation
48 assets for the valuation period ending June 30, 1996, the normal

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

12 (1) for valuation periods ending June 30, 1997 through June 30,
13 2001, to the extent possible by up to 100% of the excess valuation
14 assets;

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

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

19 (4) for valuation periods ending **[on or after]** June 30, 2004
20 through June 30, 2007, to the extent possible by up to 50% of the
21 excess valuation assets.

22 c. The actuary shall certify annually the aggregate amount
23 payable to the Contingent Reserve Fund in the ensuing year, which
24 amount shall be equal to the sum of the amounts described in this
25 section. The State shall pay into the Contingent Reserve Fund
26 during the ensuing year the amount so certified. In the event the
27 amount certified to be paid by the State includes amounts due for
28 services rendered by members to specific instrumentalities or
29 authorities the total amounts so certified shall be paid to the
30 retirement system by the State; provided, however, the full cost
31 attributable to such services rendered to such instrumentalities and
32 authorities shall be computed separately by the actuary and the
33 State shall be reimbursed for such amounts by such
34 instrumentalities or authorities.

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

39 (cf: P.L.1997, c.115, s.9)

40

41 28. (New section) The Teachers' Pension and Annuity Fund, the
42 Judicial Retirement System, the Prison Officers' Pension Fund, the
43 Public Employees' Retirement System, the Consolidated Police and
44 Firemen's Pension Fund, the Police and Firemen's Retirement
45 System, and the State Police Retirement System shall use consistent
46 and generally-accepted actuarial standards, as established by the
47 Governmental Accounting Standards Board or its successor, for the
48 purpose of determining fund or system asset values, obligations and

1 annual employer contributions. Any modification of the
2 assumptions or actuarial methodology at the direction of the State
3 that changes asset values, obligations or annual contributions shall
4 require public disclosure prior to adoption, including a financial
5 impact analysis.

6

7 29. Section 8 of P.L. 1961, c. 49 (C.52:14-17.32) is amended to
8 read as follows:

9 8. a. The basic coverage and the major medical coverage of any
10 employee, and the employee's dependents, if any, shall cease upon
11 the discontinuance of the term of office or employment or upon
12 cessation of active full-time employment subject to such regulations
13 as may be prescribed by the commission for limited continuance of
14 basic coverage and major medical coverage during disability, part-
15 time employment, leave of absence or lay off, and for continuance
16 of basic coverage and major medical coverage after retirement, any
17 such continuance after retirement to be provided at such rates and
18 under such conditions as shall be prescribed by the commission,
19 subject, however, to the requirements hereinafter set forth in this
20 section. Notwithstanding the provisions of any law to the contrary,
21 for law enforcement officers employed by the State for whom there
22 is a majority representative for collective negotiation purposes, and
23 for nonaligned sworn members of the Division of State Police who
24 retire after July 1, 2005, the coverage options available to such
25 employees in retirement shall be limited to those options that were
26 available to the employee on the employee's last day of
27 employment. The commission may also establish regulations
28 prescribing an extension of coverage when an employee or
29 dependent is totally disabled at termination of coverage.

30 b. Rates payable by retired employees for themselves and their
31 dependents, by active employees for dependents covered by
32 medicare benefits, and by the State or other employer for an active
33 employee alone covered by medicare benefits, shall be determined
34 on the basis of utilization experience according to classifications
35 determined by the commission, provided, however, that the total
36 rate payable by such retired employee for the employee and the
37 employee's dependents, or by such active employee for the
38 employee's dependents and the State or other employer for such
39 active employee alone, for coverage hereunder and for Part B of
40 medicare, shall not exceed by more than 25%, as determined by the
41 commission, the total amount which would have been required to
42 have been paid by the employee and by the State or other employer
43 for the coverage maintained had the employee continued in office or
44 active employment and the employee and the employee's
45 dependents were not eligible for medicare benefits. "Medicare" as
46 used in this act means the coverage provided under Title XVIII of
47 the Social Security Act as amended in 1965, or its successor plan or
48 plans.

1 c. (1) From funds appropriated therefor, the State shall pay the
2 premium or periodic charges for the benefits provided to a retired
3 State employee and the employee's dependents covered under the
4 program, but not including survivors, if such employee retired from
5 one or more State or locally-administered retirement systems on a
6 benefit or benefits based in the aggregate on 25 years or more of
7 nonconcurrent service credited in the retirement systems, excluding
8 service credited under the Defined Contribution Retirement
9 Program established pursuant to P.L. _____, c. (C. _____) (pending
10 before the Legislature as this bill), and excepting the employee who
11 elected deferred retirement, but including the employee who retired
12 on a disability pension based on fewer years of service credited in
13 the retirement systems and shall also reimburse such retired
14 employee for the premium charges under Part B of the federal
15 medicare program covering the retired employee and the
16 employee's spouse. In the case of full-time employees of the
17 Rutgers University Cooperative Extension Service, service credited
18 in the federal Civil Service Retirement System (5 U.S.C.s.8331 et
19 seq.) which was earned as a result of full-time employment at
20 Rutgers University, may be considered alone or in combination with
21 service credited in one or more State or locally-administered
22 retirement systems for the purposes of establishing the minimum
23 25-year service requirement to qualify for the benefits provided in
24 this section. Any full-time employee of the Rutgers University
25 Cooperative Extension Service who meets the eligibility
26 requirements set forth in this amendatory act shall be eligible for
27 the benefits provided in this section, provided that at the time of
28 retirement such employee was covered by the State Health Benefits
29 Program and elected to continue such coverage into retirement.

30 (2) Notwithstanding the provisions of this section to the
31 contrary, from funds appropriated therefor, the State shall pay the
32 premium or periodic charges for the benefits provided to a retired
33 State employee and the employee's dependents covered under the
34 program, but not including survivors, if: (a) the employee retires on
35 or after the effective date of this 1987 amendatory act; (b) the
36 employee was employed by Rutgers University prior to January 2,
37 1955 and remained in continuous service with Rutgers University
38 until retirement even though the employee (i) did not join a State-
39 administered retirement system, or, (ii) became a member of a
40 State-administered retirement system, but accumulated less than 25
41 years of credited service; and (c) the employee is covered by the
42 program at the time of retirement.

43 (3) Notwithstanding the provisions of this section to the
44 contrary, in the case of an employee of a State college, as described
45 in chapter 64 of Title 18A of the New Jersey Statutes, or of a
46 county college, as defined in N.J.S.18A:64A-1, service credited in a
47 private defined contribution retirement plan which was earned as an
48 employee of an auxiliary organization, as defined in section 2 of

1 P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be
2 considered in combination with service credited in a State-
3 administered retirement system for the purposes of establishing the
4 minimum 25-year service requirement to qualify for the benefits
5 provided in this section, provided that the employee is covered by
6 the program at the time of retirement.

7 (4) Notwithstanding the provisions of this section to the
8 contrary, from funds appropriated therefor, the State shall pay the
9 premium or periodic charges for the benefits provided to a retired
10 State employee and any dependents covered under the program, but
11 not including survivors, if the employee: (a) retired prior to the
12 effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under
13 the State Police Retirement System, established pursuant to
14 P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than
15 25 years of service credit in the retirement system; (b) was
16 subsequently employed by the State in another position or positions
17 not covered by the State Police Retirement System; (c) has, in the
18 aggregate, at least 30 years of full-time employment with the State;
19 and (d) is covered by the program at the time of terminating full-
20 time employment with the State.

21 (cf: P.L.2005, c.341, s.3)

22

23 30. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to
24 read as follows:

25 7. a. The Division of Pensions and Benefits shall certify to the
26 certifying agent of each employer electing participation under the
27 program the premium rates and periodic charges applicable to the
28 coverage provided for employees and dependents. The
29 participating employer shall remit to the division all contributions
30 to premiums and periodic charges in advance of their due dates,
31 subject to the rules and regulations of the commission.

32 b. (1) From funds allocated therefor, the employer other than
33 the State, upon the adoption and submission to the division of an
34 appropriate resolution prescribed by the commission, may pay the
35 premium or periodic charges for the benefits provided to a retired
36 employee and the employee's dependents covered under the
37 program, if the employee retired from a State or locally-
38 administered retirement system, excepting the employee who
39 elected deferred retirement, and may also reimburse the retired
40 employee for the employee's premium charges under Part B of
41 Medicare covering the retired employee and the employee's spouse
42 if the employee:

43 (a) retired on a disability pension; or

44 (b) retired after 25 or more years of nonconcurrent service credit
45 in one or more State or locally-administered retirement systems,
46 excluding service credited under the Defined Contribution
47 Retirement Program established pursuant to P. L. , c. (C.)
48 (pending before the Legislature as this bill), and a period of service

1 of up to 25 years with the employer at the time of retirement, such
2 period of service to be determined by the employer and set forth in
3 an ordinance or resolution as appropriate; or

4 (c) retired and reached the age of 65 years or older with 25
5 years or more of nonconcurrent service credit in one or more State
6 or locally-administered retirement systems, excluding service
7 credited under the Defined Contribution Retirement Program, and a
8 period of service of up to 25 years with the employer at the time of
9 retirement, such period of service to be determined by the employer
10 and set forth in an ordinance or resolution as appropriate; or

11 (d) retired and reached the age of 62 years or older with at least
12 15 years of service with the employer, excluding service credited
13 under the Defined Contribution Retirement Program.

14 “Retired employee and the employee’s dependents” may, upon
15 adoption of an appropriate resolution therefor by the participating
16 employer, also include otherwise eligible employees, and their
17 dependents, who retired from one or more State or locally-
18 administered retirement systems prior to the date that the employer
19 became a participating employer in the New Jersey State Health
20 Benefits Program or who did not elect to continue coverage in the
21 program during such time after the employer became a participating
22 employer that the employer did not pay premium or periodic
23 charges for benefits to retired employees and their dependents
24 pursuant to this section. Eligibility and enrollment of such
25 employees and dependents shall be in accordance with such rules
26 and regulations as may be adopted by the State Health Benefits
27 Commission.

28 The employer other than the State may, by resolution, pay the
29 premium or periodic charges for the benefits provided to the
30 surviving spouse of a retired employee and the employee’s
31 dependents covered under the program as provided in this section.

32 (2) Notwithstanding the provisions of any other law to the
33 contrary, the obligations of an employer other than the State, except
34 an independent State authority, board, commission, corporation,
35 agency, or organization deemed to be covered by section 6 of
36 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose
37 employees are covered by section 3 of P.L.1987, c.384 (C.52:14-
38 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section
39 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or
40 periodic charges for health benefits coverage under the provisions
41 of paragraph (1) may be determined by means of a binding
42 collective negotiations agreement, including any agreement in force
43 at the time of the adoption of this act, P.L.1999, c.48. With respect
44 to employees for whom there is no majority representative for
45 collective negotiations purposes, the employer may, in its sole
46 discretion, determine the payment obligations for the employer and
47 the employees, except that if there are collective negotiations
48 agreements binding upon the employer for employees who are

1 within the same community of interest as employees in a collective
2 negotiations unit but are excluded from participation in the unit by
3 the “New Jersey Employer-Employee Relations Act,” P.L.1941,
4 c.100 (C.34:13A-1 et seq.), the payment obligations shall be
5 determined in a manner consistent with the terms of any collective
6 negotiations agreement applicable to the collective negotiations
7 unit.

8 c. Notwithstanding the provisions of any other law to the
9 contrary, the payment obligations of an employee of an employer
10 other than the State, except an independent State authority, board,
11 commission, corporation, agency, or organization, for health
12 benefits coverage under subsection b. shall be the payment
13 obligations applicable to the employee on the date the employee
14 retires on a disability pension or the date the employee meets the
15 service credit and service requirements for the employer payment
16 for the coverage, as the case may be.

17 (cf: P.L.2001, c.209, s.4)

18

19 31. (New section) The State Health Benefits Commission shall
20 ensure that every contract purchased by the commission on or after
21 the effective of P.L. , c. (C.)(pending before the Legislature
22 as this bill) to provide benefits under the State managed care plans
23 includes a disease and chronic care management plan for specified
24 conditions meeting nationally recognized accreditation standards
25 and including specified outcome measures and objectives for
26 disease and chronic care management.

27

28 32. N.J.S.18A:66-35 is amended to read as follows:

29 18A:66-35. Any member who has at least 3 years of service to
30 his credit for which he has contributed as a member may borrow
31 from the retirement system, an amount equal to not more than 50%
32 of the amount of his accumulated deductions, but not less than
33 \$50.00; provided, that the amount so borrowed, together with
34 interest thereon, can be repaid by additional deductions from
35 compensation, not in excess of 25% of the member’s compensation,
36 made at the same time compensation is paid to the member. The
37 amount so borrowed, together with interest [at the rate of 4% per
38 annum] on any unpaid balance thereof, shall be repaid to the
39 retirement system in equal installments by deduction from the
40 compensation of the member at the time the compensation is paid or
41 in such lump sum amount to repay the balance of the loan but such
42 installment shall be at least equal to the member’s rate of
43 contribution to the retirement system and at least sufficient to repay
44 the amount borrowed with interest thereon. Not more than two
45 loans may be granted to any member in any calendar year.
46 Notwithstanding any other law affecting the salary or compensation
47 of any person or persons to whom this article applies or shall apply,
48 the additional deductions required to repay the loan shall be made.

1 The rate of interest for a loan requested by a member prior to the
2 effective date of P.L. , c. (C.)(pending before the Legislature
3 as this bill) shall be 4% per annum on any unpaid balance thereof.
4 For a loan requested after the effective date of that act, the rate of
5 interest per annum shall be a commercially reasonable rate as
6 required by the Internal Revenue Code to be determined by the
7 State Treasurer on that effective date, and on January 1 of each
8 calendar year thereafter. An administrative fee in an amount set by
9 the State Treasurer for each calendar year may be charged for any
10 loan requested after the effective date of P.L. , c. (C.)
11 (pending before the Legislature as this bill). Loans shall be made to
12 a member from his accumulated deductions. The interest earned on
13 such loans shall be treated in the same manner as interest earned
14 from investments of the retirement system.
15 (cf: P.L.1981, c.212, s.1)

16
17 33. Section 2 of P.L.1981, c.212 (C.18A:66-35.1) is amended to
18 read as follows:

19 2. In the case of any member who retires without paying the
20 full amount so borrowed, the Division of Pensions and Benefits
21 shall deduct from the retirement benefit payments the same monthly
22 amount which was deducted from the compensation of the member
23 immediately preceding retirement until the balance of the amount
24 borrowed together with the interest **【at the rate of 4% per annum】** is
25 repaid. In the case of a pensioner who dies before the outstanding
26 balance of the loan and interest thereon has been recovered, the
27 remaining balance shall be repaid from the proceeds of any other
28 benefit payable on the account of the pensioner either in the form of
29 monthly payments due to his beneficiaries or in the form of lump
30 sum payments payable for pension or group life insurance.
31 (cf: P.L.1999, c.132, s.1)

32
33 34. Section 1 of P.L.1997, c.25 (C.43:6A-34.3) is amended to
34 read as follows:

35 1. Notwithstanding any provision to the contrary, any member
36 who has at least three years of service to the member's credit for
37 which the member has contributed as a member may borrow from
38 the retirement system, an amount equal to not more than 50% of the
39 amount of the member's accumulated deductions, but not less than
40 \$50.00; provided, that the amount so borrowed, together with
41 interest thereon, can be repaid by additional deductions from
42 compensation, not in excess of 25% of the member's compensation,
43 made at the same time compensation is paid to the member. The
44 amount so borrowed, together with interest **【at the rate of 4% per**
45 **annum】** on any unpaid balance thereof, shall be repaid to the
46 retirement system in equal installments by deduction from the
47 compensation of the member at the time the compensation is paid or
48 in such lump sum amount to repay the balance of the loan but such

1 installments shall be at least equal to the member's rate of
2 contribution to the retirement system and at least sufficient to repay
3 the amount borrowed with interest thereon. Not more than two
4 loans may be granted to any member in any calendar year.
5 Notwithstanding any other law affecting the salary or compensation
6 of any person or persons to whom this act applies or shall apply, the
7 additional deductions required to repay the loan shall be made.

8 The rate of interest for a loan requested by a member prior to the
9 effective date of P.L. , c. (C.)(pending before the Legislature
10 as this bill) shall be 4% per annum on any unpaid balance thereof.
11 For a loan requested after the effective date of that act, the rate of
12 interest per annum shall be a commercially reasonable rate as
13 required by the Internal Revenue Code to be determined by the
14 State Treasurer on that effective date, and on January 1 of each
15 calendar year thereafter. An administrative fee in an amount set by
16 the State Treasurer for each calendar year may be charged for any
17 loan requested after the effective date of P.L. , c. (C.)
18 (pending before the Legislature as this bill).

19 Loans shall be made to a member from the member's
20 accumulated deductions. The interest earned on such loans shall be
21 treated in the same manner as interest earned from investments of
22 the retirement system.

23 (cf: P.L.1997, c.25, s.1)

24

25 35. Section 2 of P.L.1997, c.25 (C.43:6A-34.4) is amended to
26 read as follows:

27 2. In the case of any member who retires without repaying the
28 full amount so borrowed, the Division of Pensions and Benefits
29 shall deduct from the retirement benefit payments the same monthly
30 amount which was deducted from the compensation of the member
31 immediately preceding retirement until the balance of the amount
32 borrowed together with the interest [at the rate of 4% per annum] is
33 repaid. In the case of a pensioner who dies before the outstanding
34 balance of the loan and interest thereon has been recovered, the
35 remaining balance shall be repaid from the proceeds of any other
36 benefits payable on the account of the pensioner either in the form
37 of monthly payments due to the pensioner's beneficiaries or in the
38 form of lump sum payments payable for pension or group life
39 insurance.

40 (cf: P.L.1999, c.132, s.4)

41

42 36. Section 34 of P.L.1954, c.84 (C.43:15A-34) is amended to
43 read as follows:

44 34. Any member who has at least 3 years of service to his credit
45 for which he has contributed as a member may borrow from the
46 retirement system, an amount equal to not more than 50% of the
47 amount of his accumulated deductions, but not less than \$50.00;
48 provided, that the amount so borrowed, together with interest

1 thereon, can be repaid by additional deductions from compensation,
2 not in excess of 25% of the member's compensation, made at the
3 same time compensation is paid to the member. The amount so
4 borrowed, together with interest [at the rate of 4% per annum] on
5 any unpaid balance thereof, shall be repaid to the retirement system
6 in equal installments by deduction from the compensation of the
7 member at the time the compensation is paid or in such lump sum
8 amount to repay the balance of the loan but such installments shall
9 be at least equal to the member's rate of contribution to the
10 retirement system and at least sufficient to repay the amount
11 borrowed with interest thereon. Not more than two loans may be
12 granted to any member in any calendar year. Notwithstanding any
13 other law affecting the salary or compensation of any person or
14 persons to whom this act applies or shall apply, the additional
15 deductions required to repay the loan shall be made.

16 The rate of interest for a loan requested by a member prior to the
17 effective date of P.L. , c. (C.)(pending before the Legislature
18 as this bill) shall be 4% per annum on any unpaid balance thereof.
19 For a loan requested after the effective date of that act, the rate of
20 interest per annum shall be a commercially reasonable rate as
21 required by the Internal Revenue Code to be determined by the
22 State Treasurer on that effective date, and on January 1 of each
23 calendar year thereafter. An administrative fee in an amount set by
24 the State Treasurer for each calendar year may be charged for any
25 loan requested after the effective date of P.L. , c. (C.)
26 (pending before the Legislature as this bill).

27 Loans shall be made to a member from his accumulated
28 deductions. The interest earned on such loans shall be treated in the
29 same manner as interest earned from investments of the retirement
30 system.

31 (cf: P.L.1981, c.55, s.1)

32

33 37. Section 2 of P.L.1981, c.55 (C.43:15A-34.1) is amended to
34 read as follows:

35 2. In the case of any member who retires without repaying the
36 full amount so borrowed, the Division of Pensions and Benefits
37 shall deduct from the retirement benefit payments the same monthly
38 amount which was deducted from the compensation of the member
39 immediately preceding retirement until the balance of the amount
40 borrowed together with the interest [at the rate of 4% per annum] is
41 repaid. In the case of a pensioner who dies before the outstanding
42 balance of the loan and interest thereon has been recovered, the
43 remaining balance shall be repaid from the proceeds of any other
44 benefits payable on the account of the pensioner either in the form
45 of monthly payments due to his beneficiaries or in the form of lump
46 sum payments payable for pension or group life insurance.

47 (cf: P.L.1999, c.132, s.2)

1 38. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
2 to read as follows:

3 18. Any member who has at least 3 years of service to his credit
4 for which he has contributed as a member may borrow from the
5 retirement system, an amount equal to not more than 50% of the
6 amount of his aggregate contributions, but not less than \$50.00;
7 provided that the amount so borrowed, together with interest
8 thereon, can be repaid by additional deductions from salary, not in
9 excess of 25% of the member's salary, made at the time the salary
10 is paid to the member. The amount so borrowed, together with
11 interest [at the rate of 4% per annum] on any unpaid balance
12 thereof, shall be repaid to the retirement system in equal
13 installments by deductions from the salary of the member at the
14 time the salary is paid or in such lump sum amount to repay the
15 balance of the loan but such installments shall be at least equal to
16 the member's rate of contribution to the retirement system and at
17 least sufficient to repay the amount borrowed with interest thereon.
18 Not more than two loans may be granted to any member in any
19 calendar year. Notwithstanding any other law affecting the salary
20 or compensation of any person or persons to whom this act applies
21 or shall apply, the additional deductions required to repay the loan
22 shall be made.

23 The rate of interest for a loan requested by a member prior to the
24 effective date of P.L. , c. (C.) (pending before the Legislature
25 as this bill) shall be 4% per annum on any unpaid balance thereof.
26 For a loan requested after the effective date of that act, the rate of
27 interest per annum shall be a commercially reasonable rate as
28 required by the Internal Revenue Code to be determined by the
29 State Treasurer on that effective date, and on January 1 of each
30 calendar year thereafter. An administrative fee in an amount set by
31 the State Treasurer for each calendar year may be charged for any
32 loan requested after the effective date of P.L. , c. (C.)
33 (pending before the Legislature as this bill).

34 Loans shall be made to a member from his aggregate
35 contributions. The interest earned on such loans shall be treated in
36 the same manner as interest earned from investments of the
37 retirement system.

38 (cf: P.L.1981, c.370, s.1)

39

40 39. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
41 read as follows:

42 2. In the case of any member who retires without repaying the
43 full amount so borrowed, the Division of Pensions and Benefits
44 shall deduct from the retirement benefit payments the same monthly
45 amount which was deducted from the compensation of the member
46 immediately preceding retirement until the balance of the amount
47 borrowed together with the interest [at the rate of 4% per annum] is
48 repaid. In the case of a pensioner who dies before the outstanding

1 balance of the loan and interest thereon has been recovered, the
2 remaining balance shall be repaid from the proceeds of any other
3 benefits payable on the account of the pensioner either in the form
4 of monthly payments due to his beneficiaries or in the form of lump
5 sum payments payable for pension or group life insurance.

6 (cf: P.L.1999, c.132, s.3)

7

8 40. Section 29 of P.L.1965, c.89 (C.53:5A-29) is amended to
9 read as follows:

10 29. Any member who has at least three years of service to the
11 member's credit for which the member has contributed as a member
12 may borrow from the retirement system, an amount equal to not
13 more than 50% of the amount of the member's aggregate
14 contributions, but not less than \$50.00; provided, that the amount so
15 borrowed, together with interest thereon, can be repaid by
16 additional deductions from salary, not in excess of 25% of the
17 member's salary, made at the time the salary is paid to the member.
18 The amount so borrowed, together with interest [at the rate of 4%
19 per annum] on any unpaid balance thereof, shall be repaid to the
20 retirement system in equal installments by deductions from the
21 salary of the member at the time the salary is paid or in such lump
22 sum amount to repay the balance of the loan but such installments
23 shall be at least equal to the member's rate of contribution to the
24 retirement system and at least sufficient to repay the amount
25 borrowed with interest thereon. Not more than two loans may be
26 granted to any member in any calendar year. Notwithstanding any
27 other law affecting the salary or compensation of any person or
28 persons to whom this act applies or shall apply, the additional
29 deductions required to repay the loan shall be made.

30 The rate of interest for a loan requested by a member prior to the
31 effective date of P.L. , c. (C.)(pending before the Legislature
32 as this bill) shall be 4% per annum on any unpaid balance thereof.
33 For a loan requested after the effective date of that act, the rate of
34 interest per annum shall be a commercially reasonable rate as
35 required by the Internal Revenue Code to be determined by the
36 State Treasurer on that effective date, and on January 1 of each
37 calendar year thereafter. An administrative fee in an amount set by
38 the State Treasurer for each calendar year may be charged for any
39 loan requested after the effective date of P.L. , c. (C.)
40 (pending before the Legislature as this bill).

41 Loans shall be made to a member from the member's aggregate
42 contributions. The interest earned on such loans shall be treated in
43 the same manner as interest earned from investments of the
44 retirement system.

45 In the case of any member who retires without repaying the full
46 amount so borrowed, the Division of Pensions and Benefits shall
47 deduct from the retirement allowance payments the same monthly
48 amount which was deducted from the salary of the member

1 immediately preceding retirement until the balance of the amount
2 borrowed together with the interest [at the rate of 4% per annum] is
3 repaid. In the case of a retirant who dies before the outstanding
4 balance of the loan and interest thereon has been recovered, the
5 remaining balance shall be repaid from the proceeds of any other
6 benefits payable on the account of the retirant either in the form of
7 monthly payments due to the retirant's beneficiaries or in the form
8 of lump sum payments payable for pension or group life insurance.
9 (cf: P.L.1999, c.132, s.5)

10

11 41. (New Section) a. Upon the termination of the Teachers'
12 Pension and Annuity Fund, the Public Employees' Retirement
13 System, the Judicial Retirement System, the Police and Firemen's
14 Retirement System, the State Police Retirement System, the Prison
15 Officers' Pension Fund, or the Consolidated Police and Firemen's
16 Fund, or upon complete discontinuance of contributions to any of
17 the retirement systems, the rights of all members of such retirement
18 system to benefits accrued to the date of such termination or
19 discontinuance, to the extent then funded, are non-forfeitable.

20 b. Notwithstanding any law, rule or regulation to the contrary,
21 the form and timing of all distributions from the Teachers' Pension
22 and Annuity Fund, the Public Employees' Retirement System, the
23 Judicial Retirement System, the Police and Firemen's Retirement
24 System, the State Police Retirement System, the Prison Officers'
25 Pension Fund, or the Consolidated Police and Firemen's Fund, to a
26 member, or to the beneficiary of a member if the member dies
27 before the member's entire interest has been distributed, shall
28 conform to the required distribution provisions of section 401(a)(9)
29 of the federal Internal Revenue Code and the regulations issued by
30 the United States Department of the Treasury under that Code
31 section, including the incidental death benefit requirements of
32 section 401(a)(9)(G) of the federal Internal Revenue Code. In
33 addition, in no event shall payments under any of the retirement
34 systems commence to be paid to a member later than the member's
35 required beginning date, without regard to whether the member has
36 filed application therefor. For this purpose, a member's required
37 beginning date is the April 1 of the calendar year following the later
38 of (1) the calendar year in which the member attains age 70 ½ or (2)
39 the calendar year in which the member retires. The actuarial
40 adjustment described in section 401(a)(9)(C)(iii) of the federal
41 Internal Revenue Code shall not apply.

42

43 42. (New section) Notwithstanding any law, rule or regulation
44 to the contrary, a political subdivision of the State, or an agency,
45 authority or instrumentality thereof, that has adopted the provisions
46 of Title 11A of the New Jersey Statutes, shall not pay supplemental
47 compensation to any officer or employee for accumulated unused

1 sick leave in an amount in excess of \$15,000, except that an officer
2 or employee who:

3 (1) on the effective date of P.L. , c. (C.)(pending before
4 the Legislature as this bill), or upon the expiration of a collective
5 negotiations agreement or contract of employment applicable to that
6 officer or employee in effect on that date has accrued supplemental
7 compensation based upon accumulated unused sick leave shall,
8 upon retirement, be eligible to receive for any unused leave not
9 more than the amount so accumulated or not more than \$15,000,
10 whichever is greater; or

11 (2) becomes an officer or employee after the effective date of
12 P.L. , c. (C.)(pending before the Legislature as this bill) and
13 has previously accrued supplemental compensation based upon
14 accumulated unused sick leave shall, upon retirement, be eligible to
15 receive for any unused leave not more than the amount so
16 previously accumulated or not more than \$15,000, whichever is
17 greater.

18 Supplemental compensation shall be payable only at the time of
19 retirement from a State-administered or locally-administered
20 retirement system based on the leave credited on the date of
21 retirement.

22 As used in this section, “officer or employee” means an elected
23 official; or a person appointed by the Governor with the advice and
24 consent of the Senate, or appointed by the Governor to serve at the
25 pleasure of the Governor only during his or her term of office; or a
26 person appointed by an elected public official or elected governing
27 body of a political subdivision of the State, with the specific
28 consent or approval of the elected governing body of the political
29 subdivision that is substantially similar in nature to the advice and
30 consent of the Senate for appointments by the Governor of the State
31 as that similarity is determined by the elected governing body and
32 set forth in an adopted ordinance or resolution, pursuant to
33 guidelines or policy that shall be established by the Local Finance
34 Board in the Department of Community Affairs, but not including a
35 person who is employed or appointed in the regular or normal
36 course of employment or appointment procedures and consented to
37 or approved in a general or routine manner appropriate for and
38 followed by the political subdivision, or the agency, authority or
39 instrumentality of a subdivision, or a person who holds a
40 professional license or certificate to perform and is performing as a
41 certified health officer, tax assessor, tax collector, municipal
42 planner, chief financial officer, registered municipal clerk,
43 construction code official, licensed uniform subcode inspector,
44 qualified purchasing agent, or certified public works manager.

45

46 43. (New section) Notwithstanding any law, rule or regulation
47 to the contrary, a political subdivision of the State, or an agency,
48 authority or instrumentality thereof, that has not adopted the

1 provisions of Title 11A of the New Jersey Statutes, shall not pay
2 supplemental compensation to any officer or employee for
3 accumulated unused sick leave in an amount in excess of \$15,000,
4 except that an officer or employee who:

5 (1) on the effective date of P.L. , c. (C.)(pending before
6 the Legislature as this bill), or upon the expiration of a collective
7 negotiations agreement or contract of employment applicable to that
8 officer or employee in effect on that date has accrued supplemental
9 compensation based upon accumulated unused sick leave shall,
10 upon retirement, be eligible to receive for any unused leave not
11 more than the amount so accumulated or not more than \$15,000,
12 whichever is greater; or

13 (2) becomes an officer or employee after the effective date of
14 P.L. , c. (C.)(pending before the Legislature as this bill) and
15 has previously accrued supplemental compensation based upon
16 accumulated unused sick leave shall, upon retirement, be eligible to
17 receive for any unused leave not more than the amount so
18 previously accumulated or not more than \$15,000, whichever is
19 greater.

20 Supplemental compensation shall be payable only at the time of
21 retirement from a State-administered or locally-administered
22 retirement system based on the leave credited on the date of
23 retirement.

24 As used in this section, "officer or employee" means an elected
25 official; or a person appointed by the Governor with the advice and
26 consent of the Senate, or appointed by the Governor to serve at the
27 pleasure of the Governor only during his or her term of office; or a
28 person appointed by an elected public official or elected governing
29 body of a political subdivision of the State, with the specific
30 consent or approval of the elected governing body of the political
31 subdivision that is substantially similar in nature to the advice and
32 consent of the Senate for appointments by the Governor of the State
33 as that similarity is determined by the elected governing body and
34 set forth in an adopted ordinance or resolution, pursuant to
35 guidelines or policy that shall be established by the Local Finance
36 Board in the Department of Community Affairs, but not including a
37 person who is employed or appointed in the regular or normal
38 course of employment or appointment procedures and consented to
39 or approved in a general or routine manner appropriate for and
40 followed by the political subdivision, or the agency, authority or
41 instrumentality of a subdivision, or a person who holds a
42 professional license or certificate to perform and is performing as a
43 certified health officer, tax assessor, tax collector, municipal
44 planner, chief financial officer, registered municipal clerk,
45 construction code official, licensed uniform subcode inspector,
46 qualified purchasing agent, or certified public works manager.

1 44. (New section) Notwithstanding any law, rule or regulation
2 to the contrary, a board of education, or an agency or
3 instrumentality thereof, shall not pay supplemental compensation to
4 any officer or employee for accumulated unused sick leave in an
5 amount in excess of \$15,000, except that an officer or employee
6 who:

7 (1) on the effective date of P.L. , c. (C.)(pending before
8 the Legislature as this bill), or upon the expiration of a collective
9 negotiations agreement or contract of employment applicable to that
10 officer or employee in effect on that date has accrued supplemental
11 compensation based upon accumulated unused sick leave shall,
12 upon retirement, be eligible to receive for any unused leave not
13 more than the amount so accumulated or not more than \$15,000,
14 whichever is greater; or

15 (2) becomes an officer or employee after the effective date of
16 P.L. , c. (C.)(pending before the Legislature as this bill) and
17 has previously accrued supplemental compensation based upon
18 accumulated unused sick leave shall, upon retirement, be eligible to
19 receive for any unused leave not more than the amount so
20 previously accumulated or not more than \$15,000, whichever is
21 greater.

22 Supplemental compensation shall be payable only at the time of
23 retirement from a State-administered or locally-administered
24 retirement system based on the leave credited on the date of
25 retirement.

26 As used in this section, "officer or employee" means an elected
27 official; or a person appointed by the Governor with the advice and
28 consent of the Senate, or appointed by the Governor to serve at the
29 pleasure of the Governor only during his or her term of office; or a
30 person appointed by an elected public official or elected governing
31 body of the political subdivision, with the specific consent or
32 approval of the elected governing body of the political subdivision
33 that is substantially similar in nature to the advice and consent of
34 the Senate for appointments by the Governor of the State as that
35 similarity is determined by the elected governing body and set forth
36 in an adopted resolution, pursuant to guidelines or policy that shall
37 be established by the Department of Education, but not including a
38 person who is employed or appointed in the regular or normal
39 course of employment or appointment procedures and consented to
40 or approved in a general or routine manner appropriate for and
41 followed by the political subdivision, or the agency or
42 instrumentality thereof.

43
44 45. (New section) Notwithstanding any law or any rule or
45 regulation to the contrary, an officer or employee of a political
46 subdivision of the State, or an agency, authority, or instrumentality
47 of a subdivision, that has not adopted the provisions of Title 11A,
48 Civil Service, of the New Jersey Statutes, who does not take

1 vacation leave that accrues on or after the effective date of P.L. ,
2 c. (C.)(pending before the Legislature as this bill), or on or
3 after the date on which the person becomes an officer or employee,
4 in a given year because of business demands shall be granted that
5 accrued leave only during the next succeeding year.

6 However, vacation leave not taken in a given year because of
7 duties directly related to a state of emergency declared by the
8 Governor may accumulate at the discretion of the appointing
9 authority until, pursuant to a plan established by the officer or
10 employee's appointing authority, the leave is used or the employee
11 or officer is compensated for that leave, which shall not be subject
12 to collective negotiation or collective bargaining.

13 A person who (1) is an officer or employee on the effective date
14 of P.L. , c. (C.)(pending before the Legislature as this bill),
15 or (2) becomes an officer or employee after that effective date, and
16 has previously accrued vacation leave shall be eligible and shall be
17 permitted to retain and use that accrued vacation leave.

18 As used in this section, "officer or employee" means an elected
19 official; or a person appointed by the Governor with the advice and
20 consent of the Senate, or appointed by the Governor to serve at the
21 pleasure of the Governor only during his or her term of office; or a
22 appointed by an elected public official or elected governing body of
23 a political subdivision of the State, with the specific consent or
24 approval of the elected governing body of the political subdivision
25 that is substantially similar in nature to the advice and consent of
26 the Senate for appointments by the Governor of the State as that
27 similarity is determined by the elected governing body and set forth
28 in an adopted ordinance or resolution, pursuant to guidelines or
29 policy that shall be established by the Local Finance Board in the
30 Department of Community Affairs, but not including a person who
31 is employed or appointed in the regular or normal course of
32 employment or appointment procedures and consented to or
33 approved in a general or routine manner appropriate for and
34 followed by the political subdivision, or the agency, authority or
35 instrumentality of a subdivision, or a person who holds a
36 professional license or certificate to perform and is performing as a
37 certified health officer, tax assessor, tax collector, municipal
38 planner, chief financial officer, registered municipal clerk,
39 construction code official, licensed uniform subcode inspector,
40 qualified purchasing agent, or certified public works manager.

41
42 46. (New section) Notwithstanding any law, rule or regulation
43 to the contrary, an officer or employee of a board of education, or
44 an agency or instrumentality thereof, who does not take vacation
45 leave that accrues on or after the effective date of P.L. ,
46 c. (C.) (pending before the Legislature as this bill), or on or
47 after the date on which the person becomes an officer or employee,

1 in a given year because of business demands shall be granted that
2 accrued leave only during the next succeeding year.

3 However, vacation leave not taken in a given year because of
4 duties directly related to a state of emergency declared by the
5 Governor may accumulate at the discretion of the appointing
6 authority until, pursuant to a plan established by the officer or
7 employee's appointing authority, the leave is used or the employee
8 or officer is compensated for that leave, which shall not be subject
9 to collective negotiation or collective bargaining.

10 A person who (1) is an officer or employee on the effective date
11 of P.L. , c. (C.)(pending before the Legislature as this bill),
12 or (2) becomes an officer or employee after that effective date, and
13 has previously accrued vacation leave shall be eligible and shall be
14 permitted to retain and use that accrued vacation leave.

15 As used in this section, "officer or employee" means an elected
16 official; or a person appointed by the Governor with the advice and
17 consent of the Senate, or appointed by the Governor to serve at the
18 pleasure of the Governor only during his or her term of office; or a
19 person appointed by an elected public official or elected governing
20 body of the political subdivision, with the specific consent or
21 approval of the elected governing body of the political subdivision
22 that is substantially similar in nature to the advice and consent of
23 the Senate for appointments by the Governor of the State as that
24 similarity is determined by the elected governing body and set forth
25 in an adopted resolution, pursuant to guidelines or policy that shall
26 be established by the Department of Education, but not including a
27 person who is employed or appointed in the regular or normal
28 course of employment or appointment procedures and consented to
29 or approved in a general or routine manner appropriate for and
30 followed by the political subdivision, or the agency or
31 instrumentality thereof.

32

33 47. Nothing contained in sections 42 through 46 of P.L. ,
34 c. (C.) (pending before the Legislature as this bill) shall be
35 construed as affecting the provisions of any collective bargaining
36 agreement or individual contract of employment in effect on that
37 act's effective date.

38

39 48. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended
40 to read as follows:

41 36. Notwithstanding the provisions of any other law to the
42 contrary, [a municipality, or a municipal authority created by a
43 municipality pursuant to P.L.1946, c.138 (C.40:14A-1 et seq.) or
44 P.L.1957, c.183 (C.40:14B-1 et seq.), or a county college] an
45 employer other than the State which participates in the State Health
46 Benefits Program, established pursuant to P.L.1961, c.49 (C.52:14-
47 17.25 et seq.), may allow any employee who is eligible for other
48 health care coverage to waive coverage under the State Health

1 Benefits Program to which the employee is entitled by virtue of
2 employment with the [municipality, the municipal authority or the
3 county college] employer. The waiver shall be in such form as the
4 Director of the Division of Pensions and Benefits shall prescribe
5 and shall be filed with the division. After such waiver has been
6 filed and for so long as that waiver remains in effect, no premium
7 shall be required to be paid by the [municipality, the municipal
8 authority, or the county college as the case may be,] employer for
9 the employee or the employee's dependents. Not later than the
10 180th day after the date on which the waiver is filed, the division
11 shall refund to the [municipality, the municipal authority or the
12 county college] employer the amount of any premium previously
13 paid by the [municipality, the municipal authority or the county
14 college] employer with respect to any period of coverage which
15 followed the filing date. In consideration of filing such a waiver, [a
16 municipality, a municipal authority or a county college] an
17 employer may pay to the employee annually an amount, to be
18 established in the sole discretion of the [municipality, the municipal
19 authority or the county college] employer, which shall not exceed
20 50% of the amount saved by the [municipality, the municipal
21 authority or the county college] employer because of the
22 employee's waiver of coverage. An employee who waives
23 coverage shall be permitted to immediately resume coverage if the
24 employee ceases to be [covered through the employee's spouse]
25 eligible for other health care coverage for any reason, including, but
26 not limited to, the retirement or death of the spouse or divorce. An
27 employee who resumes coverage shall repay, on a pro rata basis,
28 any amount received from the [municipality, the municipal
29 authority or the county college] employer which represents an
30 advance payment for a period of time during which coverage is
31 resumed. An employee who wishes to resume coverage shall notify
32 the [municipality, the municipal authority or the county college]
33 employer in writing and file a declaration with the division, in such
34 form as the director of the division shall prescribe, that the waiver is
35 revoked. The decision of [a municipality, a municipal authority or
36 a county college] an employer to allow its employees to waive
37 coverage and the amount of consideration to be paid therefor shall
38 not be subject to the collective bargaining process.
39 (cf: P.L.2003, c.3, s.2)

40
41 49. This act shall take effect on the 30th day after the date of
42 enactment, except that sections 1 through 19 shall take effect on the
43 July 1, 2007 and section 20 shall take effect January 1, 2008, but
44 the State may take such anticipatory administrative action in
45 advance thereof as shall be necessary for the implementation of this
46 act.

STATEMENT

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This bill implements certain of the December 1, 2006 recommendations of the Joint Legislative Committee on Public Employee Benefits Reform.

Sections 1-19 These sections of the bill establish a Defined Contribution Retirement Program, the design of which would be one that is permitted for governmental plans under the federal Internal Revenue Code as determined by the State Treasurer. The following persons will be eligible and must participate in the retirement program:

(1) A person who commences service on or after the effective date in an elective public office of this State or of a political subdivision thereof, except that it will not include a person who holds elective public office on the effective date of this bill and is enrolled in the Public Employees' Retirement System (PERS) while that person continues to hold that elective public office without a break in service;

(2) A person who commences service on or after the effective date in an employment, office or position of the State or of a political subdivision thereof, or an agency, board, commission, authority or instrumentality of the State or of a subdivision, pursuant to an appointment by the Governor that requires the advice and consent of the Senate, or pursuant to an appointment by the Governor to serve at the pleasure of the Governor only during his or her term of office. This paragraph will not be deemed to include a person otherwise eligible for membership in the State Police Retirement System or the Judicial Retirement System.

(3) A person who commences service on or after the effective date of this section in an employment, office or position in a political subdivision of the State, or an agency, board, commission, authority or instrumentality of a subdivision, pursuant to an appointment by an elected public official or elected governing body, that requires the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy established by the Local Finance Board in the Department of Community Affairs or the Department of Education, as appropriate to the elected governing body. This paragraph will not be deemed to include a person otherwise eligible for membership in the Teachers' Pension and Annuity Fund or the Police and Firemen's Retirement System, or those who are employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or those

1 who hold a professional license or certificate to perform and are
2 performing as a certified health officer, tax assessor, tax collector,
3 municipal planner, chief financial officer, registered municipal
4 clerk, construction code official, licensed uniform subcode
5 inspector, qualified purchasing agent, or certified public works
6 manager.

7 (4) A person who is granted a pension or retirement allowance
8 on or after the effective date under any pension fund or retirement
9 system established under the laws of this State and elects to
10 participate pursuant to section 1 of P.L.1977, c.171 (C.43:3C-3)
11 upon being elected to public office.

12 No person will be eligible to participate in the retirement
13 program with respect to any public employment, office, or position
14 if: the base salary of that employment, office, or position is less
15 than \$1,500 per year; the person is, on the basis of service in that
16 employment, office, or position, eligible for membership or enrolled
17 as a member of another State or locally-administered pension
18 program, fund, or retirement system established under the laws of
19 this State, except as otherwise permitted in the bill; the person is
20 receiving a benefit as a retiree from any other State or locally-
21 administered pension fund or retirement system established under
22 the laws of this State, except as provided in section 1 of P.L.1977,
23 c.171 (C.43:3C-3); or the person is an officer or employee of a
24 political subdivision or board of education who is ineligible for
25 membership in the Public Employees' Retirement System pursuant
26 to section 20 of this bill.

27 A person eligible and required to participate in the defined
28 contribution program whose base salary is less than \$5,000 may
29 elect to waive participation. Service credited to a participant would
30 not be recognized as service credit to determine eligibility for
31 employer-paid health care benefits.

32 A program participant would contribute 5% of the participant's
33 base salary to the defined contribution program, but will have the
34 option to make additional contributions as permitted by the federal
35 Internal Revenue Code.

36 An employer would contribute 3% of the employee's base salary.
37 Employer contributions would be vested in a participant after the
38 participant commences the second year of employment unless the
39 participant, at the time of initial employment, either (1) participates
40 in a program substantially similar to the retirement program, or (2)
41 is a member of another State-administered pension fund or
42 retirement system.

43 The bill establishes the Defined Contribution Retirement
44 Program Board in but not of the Division of Pensions and Benefits
45 in the Department of the Treasury. The board would be composed
46 of five members: the Director of the Division of Pensions and
47 Benefits, or a designee; the Director of the Division of Investment
48 or a designee; the Commissioner of the Department of Banking and

1 Insurance, or a designee; the Director of the Office of Management
2 and Budget, or a designee; and a person appointed by the Director
3 of the Division of Pensions and Benefits who is an active
4 participant or retiree of the Defined Contribution Retirement
5 Program. In order to expedite implementation of this program, the
6 current third party administrator for the New Jersey State
7 Employees Deferred Compensation Program may be used as the
8 initial provider for a certain period of time. After this initial
9 contract, the board would select a provider through the competitive
10 bidding process.

11 Participants in the defined contribution program would be
12 allowed to allocate their contributions and the contributions of their
13 employer into investment alternatives as determined by the board.

14 The defined contribution retirement program, under a group
15 contract or contracts, will provide life insurance and the option of
16 obtaining disability insurance benefits for all participants on a basis
17 to be determined by the State Treasurer. The State Treasurer would
18 be authorized and directed to purchase from one or more insurance
19 companies this group life insurance and disability benefit coverage.
20 A life insurance company would have to meet certain criteria in
21 order to provide coverage under the provisions of this bill.

22 The benefit under a group life insurance contract would be an
23 amount equal to one and one-half the base annual salary of the
24 participant, except that in the event of death after retirement, the
25 amount payable would be 3/16 of the participant's base annual
26 salary, as defined. The disability benefit provided would be in an
27 amount equal to 60% of the participant's base monthly salary,
28 reduced by periodic benefits to which the participant may be
29 entitled during the period of total disability.

30 Service credit earned in the Defined Contribution Retirement
31 Program is excluded from service required for employer-paid health
32 care benefits in retirement.

33 These sections would take effect on July 1, 2007.

34 Section 20 This section of the bill provides that a person
35 performing professional services for a political subdivision of this
36 State or of a board of education, or of any agency, authority or
37 instrumentality thereof, under a professional services contract will
38 not be eligible for membership in the Public Employees' Retirement
39 System (PERS). While a person performing a professional services
40 contract on the specified effective date after enactment will
41 continue to accrue service credit during the term of a current
42 contract even if the contract by its terms does not specifically
43 provide for membership in the retirement system, the person will no
44 longer accrue service credit for the performance of those services
45 after the contract expires. Also, no renewal, extension,
46 modification, or other agreement or action to continue any
47 professional services contract in effect on the specified effective
48 date beyond its current term will have the effect of continuing the

1 membership or accrual of service credit of a person in the PERS on
2 the basis of performance of the contract.

3 The section also provides that a person who performs
4 professional services as a part-time officer or employee of a
5 political subdivision of this State or of a board of education, or of
6 any agency, authority or instrumentality thereof, and who is
7 concurrently the sole proprietor, owner, partner, associate, officer
8 or employee of a business entity, or who concurrently owns or
9 controls more than 1% of the stock of a corporation, which is
10 primarily engaged on a full-time basis in providing professional
11 services of substantially the same type or nature to public entities or
12 business entities, will not be eligible, on the basis of performance of
13 those professional services as an officer or employee, for
14 membership in the Public Employees' Retirement System. The
15 person will accrue service credit for that service during the term of
16 a contract or agreement of employment in effect on the effective
17 date whether or not the contract by its terms specifically provides
18 for membership in the retirement system, but will not accrue service
19 credit after the expiration of a current contract. Also, no renewal,
20 extension, modification, or other agreement or action to continue
21 any such agreement or contract currently in effect beyond its term
22 will have the effect of continuing the membership of a person in the
23 retirement system or the accrual of service credit on the basis of
24 performance of the agreement or contract. As used in this
25 paragraph, the term "professional services" will not include a
26 service provided by a part-time officer or employee who holds a
27 professional license or certificate to perform and is performing as a
28 certified health officer, tax assessor, tax collector, municipal
29 planner, chief financial officer, registered municipal clerk,
30 construction code official, qualified purchasing agent, licensed
31 uniform subcode inspector, or certified public works manager.

32 "Business entity" is defined as any natural or legal person,
33 business corporation, professional services corporation, limited
34 liability company, partnership, limited partnership, business trust,
35 association or any other legal commercial entity organized under
36 the laws of this State or of any other state or foreign jurisdiction,
37 and "part-time basis" is defined as performance for less than 35
38 hours per week.

39 This section would take effect on January 1, 2008.

40 Section 21 This section of the bill requires the Division of
41 Pensions and Benefits to investigate increases in compensation
42 reported for credit in the TPAF, the PERS, the PFRS, the SPRS, and
43 the JRS that exceed the reasonably anticipated annual compensation
44 increases for members of each retirement system. When a violation
45 of the law concerning the definition of compensation is suspected, it
46 will be referred to the system's board of trustees for further action.

47 This section would take effect on the 30th day after the bill's
48 enactment.

1 Section 22 This section of the bill closes the Workers
2 Compensation Judges Part of the PERS to new members. The
3 Workers Compensation Judges Part was added to PERS in 2001.
4 All new workers compensation judges will become members of the
5 defined contribution retirement program established by this bill.

6 This section would take effect on the 30th day after the bill's
7 enactment.

8 Sections 23-27 These sections of the bill remove language from
9 existing law that permits the State Treasurer to reduce the amount
10 of normal contributions needed to fund the various State-
11 administered retirement systems by the amount of excess valuation
12 assets. These sections pertain to contributions to the TPAF, the
13 JRS, the PERS, the PFRS, and the SPRS.

14 These sections would take effect on the 30th day after the bill's
15 enactment.

16 Section 28 This section of the bill requires the TPAF, the JRS,
17 the Prison Officers' Pension Fund, the PERS, the Consolidated
18 Police and Firemen's Pension Fund, the PFRS, and the SPRS to use
19 consistent and generally-accepted actuarial standards, as established
20 by the Governmental Accounting Standards Board or its successor,
21 for the purpose of determining fund asset values, obligations and
22 annual employer contributions. Any modification of the
23 assumptions or actuarial methodology at the direction of the State
24 that changes asset values, obligations or annual contributions must
25 require public disclosure prior to adoption, including a financial
26 impact analysis.

27 This section would take effect on the 30th day after the bill's
28 enactment.

29 Section 29-30 These sections amend current law to exclude
30 service credit earned in the Defined Contribution Retirement
31 Program from service required for employer-paid health care
32 benefits in retirement.

33 These sections would take effect on the 30th day after the bill's
34 enactment.

35 Section 31 This section of the bill requires the State Health
36 Benefits Commission to ensure that every managed care contract
37 purchased by the commission on or after the effective date provide
38 benefits under the SHBP managed care plans that include a disease
39 and chronic care management plan for specified conditions, meeting
40 nationally recognized accreditation standards and including
41 specified outcome measures and objectives for disease and chronic
42 care management.

43 This section would take effect on the 30th day after the bill's
44 enactment.

45 Sections 32-40 These sections of the bill change the rate of
46 interest that may be charged for a pension loan requested on or after
47 the effective date by a member of the PERS, the TPAF, the PFRS,
48 the JRS, and the SPRS from a fixed four percent per year to a

1 commercially reasonable rate as required by the Internal Revenue
2 Code. This interest rate would be determined by the State Treasurer
3 on the effective date of this bill and on January 1 of each calendar
4 year thereafter. The bill allows the Division of Pensions and
5 Benefits to charge an administrative fee, as determined by the State
6 Treasurer, for any loan requested after the effective date of the bill.

7 These sections would take effect on the 30th day after the bill's
8 enactment.

9 Section 41 This section supplements current law to provide
10 retirement system members with two rights that are required by the
11 Internal Revenue Code for qualified governmental plans. This
12 section provides that, upon termination of a retirement system, non-
13 vested members become vested as to their contribution, and that
14 retirement system participants have the ability to begin receiving
15 benefits after they attain age 70½.

16 Sections 42-44 At present, the law limits to \$15,000 the
17 maximum amount that may be paid to a State employee for
18 accumulated unused sick leave when the employee retires.
19 However, there are currently no such limits with regard to local
20 government and school board officers or employees. These sections
21 of the bill provide that supplemental compensation for accumulated
22 unused sick leave payable to any local government or school district
23 officer upon retirement could not exceed \$15,000. A person who
24 on the effective date of this bill, or upon the expiration of a
25 collective negotiations agreement or contract of employment
26 applicable to that officer or employee in effect on that date has
27 accrued supplemental compensation based upon accumulated
28 unused sick leave will, upon retirement, be eligible to receive for
29 any unused leave not more than the amount so accumulated or not
30 more than \$15,000, whichever is greater. A person who becomes
31 an officer or employee after the effective date and has previously
32 accrued supplemental compensation based upon accumulated
33 unused sick leave will, upon retirement, be eligible to receive for
34 any unused leave not more than the amount so previously
35 accumulated or not more than \$15,000, whichever is greater.

36 The bill also provides that supplemental compensation will be
37 payable only at the time of retirement from a State-administered or
38 locally-administered retirement system based on the leave credited
39 on the date of retirement.

40 For the purpose of these sections, the bill defines "officer or
41 employee" to mean an elected official or a person appointed by the
42 Governor with the advice and consent of the Senate, or appointed
43 by the Governor to serve at the pleasure of the Governor only
44 during his or her term of office, or appointed by an elected public
45 official or elected governing body of a political subdivision of the
46 State, with the specific consent or approval of the elected governing
47 body of the political subdivision that is substantially similar in
48 nature to the advice and consent of the Senate for appointments by

1 the Governor of the State as that similarity is determined by the
2 elected governing body and set forth in an adopted ordinance or
3 resolution, pursuant to guidelines or policy established by the Local
4 Finance Board in the Department of Community Affairs or the
5 Department of Education, as appropriate to the elected governing
6 body, but will not include a person who is employed or appointed in
7 the regular or normal course of employment or appointment
8 procedures and consented to or approved in a general or routine
9 manner appropriate for and followed by the political subdivision or
10 a person who holds a professional license or certificate to perform
11 and is performing as a certified health officer, tax assessor, tax
12 collector, municipal planner, chief financial officer, registered
13 municipal clerk, construction code official, licensed uniform
14 subcode inspector, qualified purchasing agent, or certified public
15 works manager.

16 These sections would take effect on the 30th day after the bill's
17 enactment.

18 Sections 45-46 These sections of the bill provide that local
19 government and school district officers will be allowed to carry
20 forward unused vacation leave for only one successive year, except
21 that vacation leave that could not be used because of an emergency
22 declared by the Governor will accumulate subject to certain limits.
23 Vacation leave accrued as of the effective date of the bill or prior to
24 the point a person becomes an officer or employee could be retained
25 and used in the future.

26 For the purpose of these sections, the bill defines "officer or
27 employee" to mean an elected official or a person appointed by the
28 Governor with the advice and consent of the Senate, or appointed
29 by the Governor to serve at the pleasure of the Governor only
30 during his or her term of office, or appointed by an elected public
31 official or elected governing body of a political subdivision of the
32 State, with the specific consent or approval of the elected governing
33 body of the political subdivision that is substantially similar in
34 nature to the advice and consent of the Senate for appointments by
35 the Governor of the State as that similarity is determined by the
36 elected governing body and set forth in an adopted ordinance or
37 resolution, pursuant to guidelines or policy established by the
38 Department of Community Affairs or the Department of Education,
39 as appropriate to the elected governing body, but will not include a
40 person who is employed or appointed in the regular or normal
41 course of employment or appointment procedures and consented to
42 or approved in a general or routine manner appropriate for and
43 followed by the political subdivision or a person who holds a
44 professional license or certificate to perform and is performing as a
45 certified health officer, tax assessor, tax collector, municipal
46 planner, chief financial officer, registered municipal clerk,
47 construction code official, licensed uniform subcode inspector,
48 qualified purchasing agent, or certified public works manager.

1 These sections would take effect on the 30th day after the bill's
2 enactment.

3 Section 47 This section states that the provisions of sections 42
4 through 46 will not be construed as affecting the provisions of any
5 collective bargaining agreement or individual contract of
6 employment in effect on bill's effective date.

7 Section 48 This section of the bill extends a current
8 authorization to all local public employers to provide financial
9 incentives to employees who waive coverage under the SHBP if the
10 employee is eligible for other health care coverage. Under current
11 law, this option has been available to municipalities since 1995, to
12 municipal authorities since 2001, and to county colleges since 2003.
13 The refund amount is currently limited to no more than 50% of the
14 amount saved by the employer through the employee's waiver of
15 coverage.

16 This section would take effect on the 30th day after the bill's
17 enactment.

18 In addition to the provisions in the bill, the Joint Committee
19 made the following recommendations.

20 The Joint Committee recommended a continued moratorium on
21 early retirement incentive programs, except in cases of
22 regionalization and consolidation initiatives resulting in costs
23 savings, because such programs have proven costly to the State and
24 to local public employers. Public employee early retirement
25 incentive programs have provided limited, short-term savings in
26 exchange for large, long-term retirement system liabilities. The
27 cost to an employer for providing a retirement incentive program
28 can be significant.

29 Benefit enhancements in State-administered retirement systems
30 have eroded the State's fiscal health and created a benefit structure
31 that the State cannot currently afford. The process of enacting
32 benefit enhancements does not include an informed debate on the
33 actual costs of the change and, far too often, the taxpayers' interests
34 are absent from this debate. Benefit enhancements enacted since
35 1999 will cost State and local government employers over \$6.8
36 billion. Therefore, the Joint Committee recommended a continued
37 moratorium on benefit enhancement legislation.

38 The Joint Committee recommended strict adherence to the legal
39 definition of "policeman" and "fireman." The Joint Committee
40 made this recommendation to control costs in the Police and
41 Firemen's Retirement System and to ensure the integrity of that
42 system in providing benefits only to those public employees who
43 serve as law enforcement officers and firefighters.

STATEMENT TO

SENATE, No. 17

with Assembly Floor Amendments
(Proposed By Assemblywoman POU)

ADOPTED: JANUARY 29, 2007

This amendment changes the provisions of subsection b. of section 20 of the bill to provide that a person who performs professional services for a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, will not be eligible, on the basis of performance of those professional services, for membership in the Public Employees' Retirement System, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. Such a person who is a member of the retirement system on the specified effective date for the section after enactment will not accrue service credit on the basis of that performance following the expiration of an agreement or contract in effect on that effective date. This provision will not affect an agreement or contract of employment in effect on that effective date, whether or not the agreement or contract specifically provides by its terms for membership in the retirement system. No renewal, extension, modification, or other agreement or action to continue any such agreement or contract in effect on that effective date beyond its current term will have the effect of continuing the membership of a person in the retirement system or continuing the accrual of service credit on the basis of performance of the agreement or contract.

In addition, this amendment adds sections 49 through 51 to prohibit elected officials, including members of the Legislature and county and municipal elected officials, from simultaneously holding another elective public office. The prohibition will not apply to an elected official who simultaneously holds more than one elective public office on and as long as service in the offices held is continuous following the sections' effective date of February 1, 2008.

STATEMENT TO

[First Reprint]

SENATE, No. 17

with Senate Floor Amendments
(Proposed By Senator CODEY)

ADOPTED: FEBRUARY 5, 2007

The Senate amendment removes the provisions of the bill that would prohibit any person from holding more than one new elective public office in this State beginning February 1, 2008.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 17

STATE OF NEW JERSEY 212th LEGISLATURE

DATED: FEBRUARY 22, 2007

SUMMARY

- Synopsis:** Implements various recommendations of Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment.
- Type of Impact:** Decrease in annual expenditures: State General Fund; Local government funds; Local school board funds.
Revenue increase: State-administered retirement systems.
- Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.
Local government entities. Local boards of education.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Savings	Indeterminate - See Comments Below		
Local Savings			

- The Office of Legislative Services (OLS) **cannot** determinate the fiscal impact of this legislation due to a lack of sufficient information in various areas, including the number of public officials and employees to be impacted and their salaries and benefit costs, and due to the existence of multiple variables and the significance of decisions to be made in the future.
- Implements various recommendations of the Joint Legislative Committee on Public Employee Benefits Reform contained in its December 1, 2006 report.
- The Defined Contribution Retirement Program, created by the bill, for certain elected and appointed public officials may lower the rate of increase of future pension contributions by public employers to the State-administered defined benefit retirement systems, but the fiscal impact is difficult to quantify due to the unknown number of public employees impacted and their salaries, the cost of providing disability benefits and life insurance to program participants, and the value of the assets and liabilities of the State-administered retirement systems in the future.

- Savings associated with closing the Workers Compensation Judges Part of the PERS, permitting local government and school board employers to provide financial incentives to employees who waive State Health Benefits Program (SHBP) coverage, and limiting the payment of supplemental compensation for unused sick leave to and the accumulation of vacation leave by certain elected and appointed officials are also difficult to quantify due to the unknown number of public employees impacted, future benefit costs, and lack of sufficient information on current arrangements and practices.
- Revenue generated for the State-administered retirement systems by a change in the rate of interest for pension loans from a fixed four percent per year to a commercially reasonable rate and the imposition of administrative fees for such loans will depend on the new rate set, amount of the fee, and value of future loans granted. Based on current information, \$11 million is generated for each one percentage point of interest.

BILL DESCRIPTION

Senate Bill No. 17 (1R) of 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform.

Specifically, sections 1 to 19 of the bill establish a Defined Contribution Retirement Program for elected and certain appointed officials and for retired elected officials who choose to participate in the program. The program becomes operational on July 1, 2007. State and local government employers will contribute to the program three percent of the employee's base salary; group life insurance and the option for disability benefits coverage will be provided to participants. Participants will contribute five percent of their salary. Participants in the program will be allowed to allocate their contributions and the contributions of their employer into investment alternatives as determined by the new program board. A Defined Contribution Retirement Program Board is established.

Service credit earned in the defined contribution retirement program would be excluded from service required for employer-paid health care benefits in retirement.

Section 20, effective January 1, 2008, prohibits a person performing professional services for a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, under a professional services contract from becoming a member of the Public Employees' Retirement System (PERS). In addition, the bill provides that a person who performs professional services will not be eligible, on the basis of performance of those professional services, for membership in the PERS, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. While a person performing professional services will continue to accrue service credit during the term of any current contract, the person will not accrue service credit for the performance of those services after the contract expires.

Section 21 requires the Division of Pensions and Benefits to investigate increases in compensation reported for credit in the various State-administered retirement systems, which is a codification of a current regulation.

Section 22 closes the Workers Compensation Judges Part of the PERS to new members.

Sections 23 to 28 remove language from existing law that permits the State Treasurer to reduce the amount of normal contributions needed to fund the various State-administered retirement systems when excess assets are available and requires each system to use consistent

and generally-accepted actuarial standards. Any modification of the assumption or actuarial methodology at the direction of the State that changes asset values will require public disclosure and a financial impact analysis prior to adoption.

Section 31 requires the State Health Benefits Commission to ensure that every contract purchased by the commission provides benefits under the State managed care plans in SHIP provides disease and chronic care management for specified conditions meeting nationally recognized accreditation standards.

Sections 32 to 40 eliminate the four percent fixed rate of interest for loans from the State-administered retirement systems and provides that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code. The sections also permit the charging of an administrative fee for such loans.

Section 41 provides retirement system members with certain rights to their benefits, as required by the Internal Revenue Code for qualified governmental plans.

Sections 42 to 46 limit, at the local government and school district level, the payment of supplemental compensation to \$15,000 at the time of retirement for unused sick leave for elected and certain appointed officials. Those who have accrued supplemental compensation based upon unused sick leave at the time the bill is enacted, at the expiration of a contract in effect at that time, or upon becoming such an elected or appointed official will be eligible to receive the amount so accumulated or not more than \$15,000, whichever is greater. The carry-forward of unused vacation leave is also limited for these same local government and school district officials, to one successive year.

Section 48 extends a current authorization to all local public employers to provide financial incentives to employees who waive coverage under the SHBP if the employee is eligible for other health care coverage. Under current law, this option has been available to municipalities since 1995, to municipal authorities since 2001, and to county colleges since 2003. The incentive amount is currently limited to no more than 50 percent of the amount saved by the employer through the employee's waiver of coverage.

Sections 49 to 51 prohibit elected officials from holding more than one elective public office.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) cannot determine the fiscal impact of this legislation due to the unknown number of public officials and employees to be impacted and the salaries, benefit costs, and current employment arrangements of these officials or employees; the future value of assets and liabilities of State-administered retirement systems; the existence of multiple variables; and the significance of decisions to be made in the future. However, revenue to the State-administered retirement systems will be generated by changing the loan rate from a fixed four percent to a commercially reasonable rate.

The fiscal impact to the State and local entities of the creation of the Defined Contribution Retirement Program for new elected and described appointed officials will depend on the number of such individuals who will become participants of the program and their salaries, the future assets and liabilities of the State-administered defined benefit retirement systems, and the

cost of providing life insurance and a disability benefit option to program participants. Due to the way required participation in the program is structured, immediate employer reductions in retirement system contributions are not anticipated. This provision will serve to lower the rate of future increase in employer contributions to the defined benefit plans.

Based on fiscal estimates provided by the Division of Pensions and Benefits for similar legislation, there will be administrative start-up costs to implement this new program.

The savings to be realized by local governments and school boards through the exclusion from the PERS, under certain conditions, of persons performing professional services will depend on the number of such persons and their current salaries and arrangements, which is not known at this time.

The fiscal impact of closing the Workers' Compensation Judges Part of PERS to new members will depend on the rate and circumstances of persons becoming judges after the bill's enactment. Some new workers' compensation judges will remain in the PERS; some will be enrolled in the new defined contribution retirement program, which will require a lower employer contribution rate. Thus, the costs for the benefits provided by the Part will decrease over the long term as current members terminate service. Savings overall from this change in the near term may be limited due to the limited number of individuals this provision will impact.

The savings that may be realized by local governments or school boards from the authorization to offer a financial incentive to public employees who opt out of SHBP coverage will depend on the number of public employers who will make this incentive available, the number of employees who will accept the incentive, and the cost of SHBP coverage for an employee at the time the incentive is accepted. Participation by employees of those public employers that currently are able to offer the incentive is fairly low at this time.

Changing the rate of interest that may be charged for future loans from the State-administered retirement systems from a fixed four percent per year to a commercially reasonable rate as required by the Internal Revenue Code, and the authorization to impose an administrative fee for the granting of such loans, will result in a gain in the assets of the systems, although it should be noted that the amount of loans taken by system members may decrease from current levels due to the higher costs for such loans. The State-administered retirement systems assume a rate of return of 8.25% on investment of system assets. Currently, pension loans provide a rate of return approximately half of the assumed rate. Retirement system members pay \$11 million for each one percentage point of interest, based on current loans outstanding.

The savings that will accrue to local government entities and school boards from the limits placed on the payment, at the time of retirement, of supplemental compensation for unused sick leave to elected and certain appointed officials, and on the carry-forward of vacation leave by such officials, will depend on the number of officials who will be impacted, their salaries, benefits, and current and future arrangements, which are not known. There is a lack of sufficient information on the number of local governments and school boards that already limit payments for unused sick leave and the carry-forward of vacation leave.

The fiscal impact, if any, to the State and local entities from the elimination of existing law that permits the State Treasurer to reduce the amount of normal employer contributions needed to fund the various State-administered retirement systems when excess assets are available, from the requirement that each system use consistent and generally-accepted actuarial standards, and from the requirement that the State Health Benefits Commission provide for disease and chronic care management as a plan benefit through the SHBP, will depend on multiple variables and the significance of decisions to be made in the future. To the extent that practice is in line with the provision, there will be no fiscal impact.

Section: State Government

*Analyst: James F. Vari
Lead Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

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

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 17

STATE OF NEW JERSEY 212th LEGISLATURE

DATED: MARCH 8, 2007

SUMMARY

- Synopsis:** Implements various recommendations of Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment.
- Type of Impact:** Decrease in annual expenditures: State General Fund; Local government funds; Local school board funds.
Revenue increase: State-administered retirement systems.
- Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.
Local government entities. Local boards of education.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Savings	Indeterminate - See Comments Below		
Local Savings			

- The Office of Legislative Services (OLS) **cannot** determinate the fiscal impact of this legislation due to a lack of sufficient information in various areas, including the number of public officials and employees to be impacted and their salaries and benefit costs, and due to the existence of multiple variables and the significance of decisions to be made in the future.
- Implements various recommendations of the Joint Legislative Committee on Public Employee Benefits Reform contained in its December 1, 2006 report.
- The Defined Contribution Retirement Program, created by the bill, for certain elected and appointed public officials may lower the rate of increase of future pension contributions by public employers to the State-administered defined benefit retirement systems, but the fiscal impact is difficult to quantify due to the unknown number of public employees impacted and their salaries, the cost of providing disability benefits and life insurance to program participants, and the value of the assets and liabilities of the State-administered retirement systems in the future.

- Savings associated with closing the Workers Compensation Judges Part of the PERS, permitting local government and school board employers to provide financial incentives to employees who waive State Health Benefits Program (SHBP) coverage, and limiting the payment of supplemental compensation for unused sick leave to and the accumulation of vacation leave by certain elected and appointed officials are also difficult to quantify due to the unknown number of public employees impacted, future benefit costs, and lack of sufficient information on current arrangements and practices.
- Revenue generated for the State-administered retirement systems by a change in the rate of interest for pension loans from a fixed four percent per year to a commercially reasonable rate and the imposition of administrative fees for such loans will depend on the new rate set, amount of the fee, and value of future loans granted. Based on current information, \$11 million is generated for each one percentage point of interest.

BILL DESCRIPTION

Senate Bill No. 17 (2R) of 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform.

Specifically, sections 1 to 19 of the bill establish a Defined Contribution Retirement Program for elected and certain appointed officials and for retired elected officials who choose to participate in the program. The program becomes operational on July 1, 2007. State and local government employers will contribute to the program three percent of the employee's base salary; group life insurance and the option for disability benefits coverage will be provided to participants. Participants will contribute five percent of their salary. Participants in the program will be allowed to allocate their contributions and the contributions of their employer into investment alternatives as determined by the new program board. A Defined Contribution Retirement Program Board is established.

Service credit earned in the defined contribution retirement program would be excluded from service required for employer-paid health care benefits in retirement.

Section 20, effective January 1, 2008, prohibits a person performing professional services for a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, under a professional services contract from becoming a member of the PERS. In addition, the bill provides that a person who performs professional services will not be eligible, on the basis of performance of those professional services, for membership in the PERS, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. While a person performing professional services will continue to accrue service credit during the term of any current contract, the person will no accrue service credit for the performance of those services after the contract expires.

Section 21 requires the Division of Pensions and Benefits to investigate increases in compensation reported for credit in the various State-administered retirement systems, which is a codification of a current regulation.

Section 22 closes the Workers Compensation Judges Part of the PERS to new members.

Sections 23 to 28 remove language from existing law that permits the State Treasurer to reduce the amount of normal contributions needed to fund the various State-administered retirement systems when excess assets are available and requires each system to use consistent and generally-accepted actuarial standards. Any modification of the assumption or actuarial

methodology at the direction of the State that changes asset values will require public disclosure and a financial impact analysis prior to adoption.

Section 31 requires the State Health Benefits Commission to ensure that every contract purchased by the commission provides benefits under the State managed care plans in SHIP provides disease and chronic care management for specified conditions meeting nationally recognized accreditation standards.

Sections 32 to 40 eliminate the four percent fixed rate of interest for loans from the State-administered retirement systems and provides that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code. The sections also permit the charging of an administrative fee for such loans.

Section 41 provides retirement system members with certain rights to their benefits, as required by the Internal Revenue Code for qualified governmental plans.

Sections 42 to 46 limit, at the local government and school district level, the payment of supplemental compensation to \$15,000 at the time of retirement for unused sick leave for elected and certain appointed officials. Those who have accrued supplemental compensation based upon unused sick leave at the time the bill is enacted, at the expiration of a contract in effect at that time, or upon becoming such an elected or appointed official will be eligible to receive the amount so accumulated or not more than \$15,000, whichever is greater. The carry-forward of unused vacation leave is also limited for these same local government and school district officials, to one successive year.

Section 48 extends a current authorization to all local public employers to provide financial incentives to employees who waive coverage under the SHBP if the employee is eligible for other health care coverage. Under current law, this option has been available to municipalities since 1995, to municipal authorities since 2001, and to county colleges since 2003. The incentive amount is currently limited to no more than 50 percent of the amount saved by the employer through the employee's waiver of coverage.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services cannot determine the fiscal impact of this legislation due to the unknown number of public officials and employees to be impacted and the salaries, benefit costs, and current employment arrangements of these officials or employees; the future value of assets and liabilities of State-administered retirement systems; the existence of multiple variables; and the significance of decisions to be made in the future. However, revenue to the State-administered retirement systems will be generated by changing the loan rate from a fixed four percent to a commercially reasonable rate.

The fiscal impact to the State and local entities of the creation of the Defined Contribution Retirement Program for new elected and described appointed officials will depend on the number of such individuals who will become participants of the program and their salaries, the future assets and liabilities of the State-administered defined benefit retirement systems, and the cost of providing life insurance and a disability benefit option to program participants. Due to the way required participation in the program is structured, immediate employer reductions in

retirement system contributions are not anticipated. This provision will serve to lower the rate of future increase in employer contributions to the defined benefit plans.

Based on fiscal estimates provided by the Division of Pensions and Benefits for similar legislation, there will be administrative start-up costs to implement this new program.

The savings to be realized by local governments and school boards through the exclusion from the PERS, under certain conditions, of persons performing professional services will depend on the number of such persons and their current salaries and arrangements, which is not known at this time.

The fiscal impact of closing the Workers' Compensation Judges Part of PERS to new members will depend on the rate and circumstances of persons becoming judges after the bill's enactment. Some new workers' compensation judges will remain in the PERS; some will be enrolled in the new defined contribution retirement program, which will require a lower employer contribution rate. Thus, the costs for the benefits provided by the Part will decrease over the long term as current members terminate service. Savings overall from this change in the near term may be limited due to the limited number of individuals this provision will impact.

The savings that may be realized by local governments or school boards from the authorization to offer a financial incentive to public employees who opt out of SHBP coverage will depend on the number of public employers who will make this incentive available, the number of employees who will accept the incentive, and the cost of SHBP coverage for an employee at the time the incentive is accepted. Participation by employees of those public employers that currently are able to offer the incentive is fairly low at this time.

Changing the rate of interest that may be charged for future loans from the State-administered retirement systems from a fixed four percent per year to a commercially reasonable rate as required by the Internal Revenue Code, and the authorization to impose an administrative fee for the granting of such loans, will result in a gain in the assets of the systems, although it should be noted that the amount of loans taken by system members may decrease from current levels due to the higher costs for such loans. The State-administered retirement systems assume a rate of return of 8.25 percent on investment of system assets. Currently, pension loans provide a rate of return approximately half of the assumed rate. Retirement system members pay \$11 million for each one percentage point of interest, based on current loans outstanding.

The savings that will accrue to local government entities and school boards from the limits placed on the payment, at the time of retirement, of supplemental compensation for unused sick leave to elected and certain appointed officials, and on the carry-forward of vacation leave by such officials, will depend on the number of officials who will be impacted, their salaries, benefits, and current and future arrangements, which are not known. There is a lack of sufficient information on the number of local governments and school boards that already limit payments for unused sick leave and the carry-forward of vacation leave.

The fiscal impact, if any, to the State and local entities from the elimination of existing law that permits the State Treasurer to reduce the amount of normal employer contributions needed to fund the various State-administered retirement systems when excess assets are available, from the requirement that each system use consistent and generally-accepted actuarial standards, and from the requirement that the State Health Benefits Commission provide for disease and chronic care management as a plan benefit through the SHBP, will depend on multiple variables and the significance of decisions to be made in the future. To the extent that practice is in line with the provision, there will be no fiscal impact.

Section: State Government

*Analyst: Aggie Szilagyi
Section Chief*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

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

ASSEMBLY, No. 21

STATE OF NEW JERSEY

212th LEGISLATURE

INTRODUCED JANUARY 25, 2007

Sponsored by:

Assemblywoman NELLIE POU

District 35 (Bergen and Passaic)

Assemblyman KEVIN J. O'TOOLE

District 40 (Bergen, Essex and Passaic)

Assemblyman THOMAS P. GIBLIN

District 34 (Essex and Passaic)

Assemblyman JEFF VAN DREW

District 1 (Cape May, Atlantic and Cumberland)

Assemblywoman LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

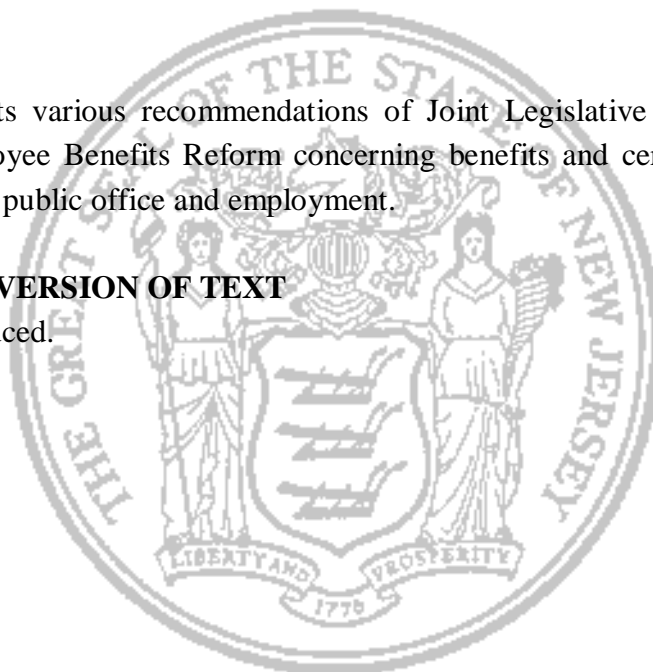
Assemblyman Russo

SYNOPSIS

Implements various recommendations of Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/30/2007)

1 AN ACT implementing various recommendations of the Joint
2 Legislative Committee on Public Employee Benefits Reform
3 concerning benefits and certain terms and conditions of public
4 office and employment and amending and supplementing various
5 parts of the statutory law.

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

9
10 1. (New section) There is hereby established in the Department
11 of the Treasury a Defined Contribution Retirement Program. The
12 program design shall be one that is permitted for governmental
13 plans under the federal Internal Revenue Code as determined by the
14 State Treasurer. The retirement program is deemed to be a pension
15 fund or retirement system for purposes of P.L.1968, c.23 (C.43:3C-
16 1 et seq.). For the purposes of the Defined Contribution Retirement
17 Program:

18 “Base salary” means a participant’s regular base salary. It shall
19 exclude overtime or other forms of extra compensation, including
20 but not limited to, longevity lump sum payments, lump sum
21 terminal sick leave or vacation pay, the value of maintenance,
22 individual pay adjustments made within or at the conclusion of the
23 participant’s final year of service, retroactive salary adjustments or
24 other pay adjustments made in the participant’s final year of service
25 unless the adjustment was made as a result of a general pay
26 adjustment for all personnel of the public office or agency in which
27 the participant is employed, or any unscheduled individual
28 adjustment made in the final year to place the participant at the
29 maximum salary level within salary range.

30 “Employer” means the State or a political subdivision thereof, or
31 an agency, board, commission, authority or instrumentality of the
32 State or a subdivision, that pays the base salary of a participant for
33 services rendered by the participant.

34 “Retirement program” means the Defined Contribution
35 Retirement Program established by this section.

36
37 2. (New section) a. The following persons shall be eligible and
38 shall participate in the Defined Contribution Retirement Program.

39 (1) A person who commences service on or after the effective
40 date of this section of P.L. , c. (C.)(pending before the
41 Legislature as this bill) in an elective public office of this State or
42 of a political subdivision thereof, except that it shall not include a
43 person who holds elective public office on the effective date of this
44 section and is enrolled in the Public Employees’ Retirement System
45 while that person continues to hold that elective public office

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 without a break in service. Service in the Legislature shall be
2 considered a single elective public office.

3 (2) A person who commences service on or after the effective
4 date of this section in an employment, office or position of the State
5 or of a political subdivision thereof, or an agency, board,
6 commission, authority or instrumentality of the State or of a
7 subdivision, pursuant to an appointment by the Governor that
8 requires the advice and consent of the Senate, or pursuant to an
9 appointment by the Governor to serve at the pleasure of the
10 Governor only during his or her term of office. This paragraph
11 shall not be deemed to include a person otherwise eligible for
12 membership in the State Police Retirement System or the Judicial
13 Retirement System.

14 (3) A person who commences service on or after the effective
15 date of this section in an employment, office or position in a
16 political subdivision of the State, or an agency, board, commission,
17 authority or instrumentality of a subdivision, pursuant to an
18 appointment by an elected public official or elected governing
19 body, that requires the specific consent or approval of the elected
20 governing body of the political subdivision that is substantially
21 similar in nature to the advice and consent of the Senate for
22 appointments by the Governor of the State as that similarity is
23 determined by the elected governing body and set forth in an
24 adopted ordinance or resolution, pursuant to guidelines or policy
25 that shall be established by the Local Finance Board in the
26 Department of Community Affairs or the Department of Education,
27 as appropriate to the elected governing body. This paragraph shall
28 not be deemed to include a person otherwise eligible for
29 membership in the Teachers' Pension and Annuity Fund or the
30 Police and Firemen's Retirement System, or a person who is
31 employed or appointed in the regular or normal course of
32 employment or appointment procedures and consented to or
33 approved in a general or routine manner appropriate for and
34 followed by the political subdivision, or the agency, board,
35 commission, authority or instrumentality of a subdivision, or a
36 person who holds a professional license or certificate to perform
37 and is performing as a certified health officer, tax assessor, tax
38 collector, municipal planner, chief financial officer, registered
39 municipal clerk, construction code official, licensed uniform
40 subcode inspector, qualified purchasing agent, or certified public
41 works manager.

42 (4) A person who is granted a pension or retirement allowance
43 under any pension fund or retirement system established under the
44 laws of this State and elects to participate pursuant to section 1 of
45 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

46 b. No person shall be eligible to participate in the retirement
47 program with respect to any public employment, office, or position
48 if:

1 (1) the base salary for that employment, office, or position is
2 less than \$1,500 per year;

3 (2) the person is, on the basis of service in that employment,
4 office, or position, eligible for membership or enrolled as a member
5 of another State or locally-administered pension fund or retirement
6 system established under the laws of this State including the
7 Alternate Benefit Program, except as otherwise specifically
8 provided in subsection a. of this section;

9 (3) the person is receiving a benefit as a retiree from any other
10 State or locally-administered pension fund or retirement system
11 established under the laws of this State, except as provided in
12 section 1 of P.L.1977, c.171 (C.43:3C-3); or

13 (4) the person is an officer or employee of a political
14 subdivision of this State or of a board of education, or of any
15 agency, authority or instrumentality thereof, who is ineligible for
16 membership in the Public Employees' Retirement System pursuant
17 to section 20 of P.L. , c. (C.)(pending before the Legislature
18 as this bill).

19 c. A person eligible and required to participate in the
20 retirement program whose base salary is less than \$5,000 may at the
21 commencement of service in an employment, office or position
22 irrevocably elect to waive participation with regard to that
23 employment, office, or position by filing, at the time and on a form
24 required by the division, a written waiver with the Division of
25 Pensions and Benefits that waives all rights and benefits that would
26 otherwise be provided by the retirement program.

27 d. Service credited to a participant in the Defined Contribution
28 Retirement Program shall not be recognized as service credit to
29 determine eligibility for employer-paid health care benefits in
30 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),
31 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or
32 any other law, rule or regulation.

33
34 3. (New section) a. The employer shall reduce the
35 compensation of each participant in the Defined Contribution
36 Retirement Program and pay over to the plan provider for the
37 benefit of the participant an employee contribution for the
38 retirement benefit contract or contracts equal to 5% of the
39 participant's base salary. At the option and request of a participant,
40 the employer shall reduce the compensation of the participant for
41 additional contributions as permitted by the federal Internal
42 Revenue Code. The intervals for reductions and payments shall be
43 determined by the Division of Pensions and Benefits.

44 All participant contributions shall be made in accordance with
45 section 414(h) of the federal Internal Revenue Code (26 U.S.C.
46 s.414(h)).

47 b. The employer shall make payment of the employer
48 contributions to the program at a rate equal to 3% of the employee's

1 base salary, which moneys shall be paid to the designated provider
2 for the benefit of each participant. Additionally, employers shall
3 pay their share of the administrative costs of the program. The
4 intervals for all payments and the allocation of administrative costs
5 shall be determined by the Division of Pensions and Benefits
6 including due dates and penalties for non compliance.

7 c. No employer contributions shall be vested in a participant
8 until after the participant commences the second year of
9 employment unless the participant, at the time of initial
10 employment, either (1) participates in a program substantially
11 similar to the retirement program, or (2) is a member of another
12 State-administered pension fund or retirement system.

13

14 4. (New section) There is established in, but not of, the
15 Division of Pensions and Benefits in the Department of the
16 Treasury the Defined Contribution Retirement Program Board, that
17 shall consist of the Director of the Division of Pensions and
18 Benefits or a designee; the Director of the Division of Investment or
19 a designee; the Commissioner of the Department of Banking and
20 Insurance or a designee; the Director of the Office of Management
21 and Budget or a designee; and a person appointed by the Director of
22 the Division of Pensions and Benefits who is an active participant
23 or retiree of the Defined Contribution Retirement Program.

24 In order to expedite implementation of the Defined Contribution
25 Retirement Program, the current third party administrator for the
26 New Jersey State Employees Deferred Compensation Program
27 selected through a competitive bidding process may be utilized as
28 the initial provider for a period not to exceed the term of the
29 contract in effect on the effective date of this section of P.L. ,
30 c. (C.) (pending before the Legislature as this bill) including
31 extensions, to administer this program. Subsequent to the initial
32 contract, the Defined Contribution Retirement Program Board shall
33 select through a competitive bidding process a provider licensed or
34 otherwise authorized to transact business in New Jersey. This
35 provider shall be selected by competitive bidding in accordance
36 with all applicable State laws and regulations.

37

38 5. (New section) Participants in the Defined Contribution
39 Retirement Program shall be allowed to allocate their own
40 contributions and the contributions of their employer into
41 investment alternatives as determined by the Defined Contribution
42 Retirement Program Board, including, but not limited, to mutual
43 funds, subject to such rules and regulations as the Division of
44 Pensions and Benefits may adopt, in accordance with all Internal
45 Revenue Code rules and regulations. All moneys which are
46 deferred and deducted in accordance with the provisions of sections
47 1 through 19 of P.L. , c. (C.) (pending before the Legislature
48 as this bill) and the program shall remain assets of the State and

1 shall be invested in accordance with the provisions of this act and
2 the program. The obligation of the State to participating employees
3 and contractors shall be contractual only and no preferred or special
4 interest in the deferred moneys shall accrue to such employees or
5 contractors, except that all assets and income of the program shall
6 be held in trust for the exclusive benefit of participating employees
7 and their beneficiaries.

8
9 6. (New section) a. The retirement program shall, under a
10 group contract or contracts, provide life insurance and provide the
11 option of obtaining disability insurance benefits for all participants
12 in the retirement program on a basis to be determined by the State
13 Treasurer. The State Treasurer is authorized to promulgate
14 appropriate rules and regulations and perform other duties as
15 necessary for the implementation and operation of the program.

16 b. The State Treasurer is hereby authorized to purchase from
17 one or more insurance companies, as the State Treasurer shall
18 determine, group life insurance and disability benefit coverage to
19 provide for the death benefits and disability benefits in the amounts
20 specified in this act. Such group life insurance and disability
21 benefit coverage may be provided under one or more policies issued
22 to the State Treasurer specifically for this purpose or, in the
23 discretion of the State Treasurer, under one or more policies issued
24 to the State Treasurer which provide group life insurance coverage
25 for members of one or more pension funds or retirement systems of
26 the State of New Jersey. Any dividend or retrospective rate credit
27 allowed by an insurance company attributable to the retirement
28 program shall be credited to the funds available to meet the State's
29 obligations under the retirement program.

30 Premiums for such group insurance coverage shall be paid from
31 a special fund, hereby created, called the "Defined Contribution
32 Retirement Program Group Insurance Premium Fund." The State
33 Treasurer shall estimate annually the amount that will be required
34 for premiums for such benefits for the ensuing fiscal year and shall
35 certify such amounts that shall be applied to the total State and
36 other employer contributions due on behalf of the participants in the
37 retirement program from the State and other employers, depositing
38 such amounts in the premium fund. Additionally, employers shall
39 pay their share of the administrative costs of the program. The
40 intervals for all payments and the allocation of administrative costs
41 shall be determined by the Division of Pensions and Benefits
42 including due dates and penalties for non compliance.

43 During the period such group insurance policy or policies are in
44 effect with respect to participants in the retirement program, the
45 State Treasurer shall not commingle moneys in this fund with any
46 funds established under the retirement program.

47 c. A life insurance company shall meet the following
48 requirements in order to provide coverage under this section:

1 (1) be licensed under the laws of the State of New Jersey to
2 transact life and accidental death insurance, and the amount of its
3 group life insurance in the State of New Jersey shall, at the time the
4 insurance is to be purchased, equal at least 1% of the total amount
5 of such group life insurance in the State of New Jersey in all life
6 insurance companies; or

7 (2) come within the exceptions provided in P.L.1968, c.234
8 (C.17:32-16 et seq.).

9

10 7. (New section) The benefit under a group contract or
11 contracts providing life insurance shall be in an amount equal to
12 one and one-half the base annual salary of the participant in the
13 retirement program, except that in the event of death after
14 retirement, the amount payable shall equal 3/16 of the participant's
15 base annual salary. "Base annual salary" means the base salary
16 upon which contributions by the participant and the participant's
17 employer to the retirement program were based during the last year
18 of creditable service.

19 For purposes of this section, a participant shall be deemed to be
20 in service and covered by the group life insurance for a period of
21 official leave of absence without pay when such leave is due to
22 illness or any reason other than illness, with such period to be
23 determined by the Division of Pensions and Benefits, if satisfactory
24 evidence is presented to the division of such official leave of
25 absence. A participant shall be deemed to be on an official leave of
26 absence only if the leave is formally approved by the employer
27 prior to the time the leave commenced and timely notice is filed by
28 the employer with the division. If timely notice is not filed, the
29 employer shall be responsible for the payment of any benefits
30 pursuant to this section if the participant was otherwise eligible for
31 such benefits.

32 In the event of the death of a participant in active service in the
33 first year of participation as a result of an accident met in the actual
34 performance of duty at some definite time and place, the death
35 benefit payable pursuant to this section shall be computed at the
36 annual rate of base salary.

37 No beneficiary of a retired participant shall be entitled to receive
38 the death benefits payable in the event of death after retirement
39 pursuant to this section unless the participant either: had at least 25
40 years of credited participation in the retirement program established
41 pursuant to this act; or had at least 10 years of such credited
42 participation and had attained 60 years of age and was an actively
43 employed participant in the program in the year immediately
44 preceding initial receipt of a retirement annuity.

45

46 8. (New section) Any group life insurance policy or policies
47 shall include, with respect to any insurance terminating or reducing
48 because the participant has ceased to be in service or has retired, the

1 conversion privilege available upon termination of employment as
2 prescribed by the law relating to group life insurance, and shall also
3 include, with respect to life insurance terminating because of
4 termination of the group policy, the conversion privilege available
5 upon termination of the group policy as prescribed by such law.
6 Any such group policy or policies shall also provide that if the
7 participant dies within the 31-day period during which the
8 participant would be entitled to exercise the conversion privilege,
9 the amount of life insurance with respect to which the participant
10 could have exercised the conversion privilege shall be paid as a
11 claim under the group policy. When benefits payable upon the
12 death of a participant following retirement are determined as though
13 the participant had not retired, the death benefits payable under the
14 group policy or policies, together with the amount of life insurance
15 paid under any individual policy obtained under the conversion
16 privilege, shall in no event exceed the amount of insurance for
17 which the participant was insured under the group policy or policies
18 immediately prior to the date the right of conversion arose. If a
19 participant who has exercised the conversion privilege under the
20 group policy or policies while on leave of absence or upon
21 termination of employment again becomes a participant of the
22 retirement program and the individual policy obtained pursuant to
23 the conversion privilege is still in force, the participant shall not
24 again be eligible for any of the group life insurance provided under
25 such policy or policies without furnishing satisfactory evidence of
26 insurability.

27

28 9. (New section) Death benefits under the group life insurance
29 policy or policies shall be paid by the insurance company to such
30 person, if living, as the participant shall have nominated by written
31 designation duly executed and filed with the insurance company
32 through the policyholder, otherwise to the executors or
33 administrators of the participant's estate. A participant may file
34 with the insurance company through the policyholder and alter from
35 time to time during life, as desired, a duly attested written
36 nomination of the payee for the death benefit.

37

38 10. (New section) Any group life insurance policy or policies
39 shall provide that payment of any death benefits payable by the
40 insurance company may be made in one sum directly to the
41 beneficiary as hereinafter provided, in equal installments over a
42 period of years or as a life annuity or in such other manner as may
43 be made available by the insurance company. A participant may
44 make such arrangements for settlement, and may alter from time to
45 time during life any arrangement previously made, by making
46 written request to the insurance company through the policyholder.
47 Upon the death of the participant, a beneficiary to whom a benefit is

1 payable in one sum by the insurance company may likewise arrange
2 for a settlement as described above.

3
4 11. (New section) Any person entitled to become a participant
5 in the retirement program shall not be allowed any of the group life
6 insurance and disability benefits if on the date of filing an
7 application for participation the person is 60 or more years of age,
8 or if the person makes application for participation in the retirement
9 program beyond the year after first becoming eligible for
10 participation, regardless of age, unless the participant furnishes
11 satisfactory evidence of insurability and on the effective date of
12 participation is actively at work and performing all regular duties at
13 the customary place of employment.

14 The effective date of coverage for such benefits shall be the first
15 day of the month which immediately follows the date when such
16 evidence is determined to be satisfactory.

17 Such evidence of insurability shall not be required of any person
18 enrolling in the retirement program upon transfer from another
19 State-administered retirement system, if such retirement system
20 provided a benefit of a similar nature and the transferring person
21 was covered by such a benefit at the time of the transfer. If such
22 transferring person was not covered by such a benefit at the time of
23 the transfer, the person may be allowed the benefit under the group
24 policy or policies; however, any such person shall furnish
25 satisfactory evidence of insurability if he had been unable or failed
26 to give such evidence as a member of the retirement system from
27 which the person transferred.

28 Any person who must furnish satisfactory evidence of
29 insurability under the provisions of this section and who ceases to
30 be a participant in the retirement program without such evidence
31 having been given shall continue to be subject to the same
32 requirement if the person subsequently becomes a participant.

33
34 12. (New section) The designation of a death benefit beneficiary
35 by a participant or retiree shall be made in writing on a form
36 satisfactory to the Division of Pensions and Benefits and filed with
37 the division. The participant or retiree may, from time to time and
38 without the consent of the designee, change the beneficiary by
39 filing a written notice of the change on a satisfactory form. The
40 new nomination shall be effective on the date the notice, in proper
41 form, is received and any prior nomination shall thereupon become
42 void.

43 If more than one beneficiary is nominated and in such
44 nomination the participant or retiree has failed to specify their
45 respective interests, the beneficiaries shall share equally. If any
46 beneficiary predeceases the participant or retiree, the interest of that
47 beneficiary shall terminate and shall be shared equally by such of
48 the beneficiaries as survive the participant or retiree, unless the

1 participant or retiree has made written request to the contrary in the
2 beneficiary nomination.

3 Any amounts due for which there is no beneficiary at the death
4 of a participant, retiree or beneficiary shall be payable to the estate
5 of the participant, retiree or beneficiary.

6 Except with regard to the payment of the group life insurance
7 death benefit upon the death of a retiree, a participant may elect, by
8 making written request, that the whole or any part of the
9 participant's group life insurance death benefits be made payable to
10 the beneficiary either as a life annuity or in equal installments over
11 a period of years specified in such election, and may alter such
12 election from time to time during the participant's lifetime by again
13 making such written request. In the event of a change of
14 beneficiary, any previous arrangement by the participant or retiree
15 under this paragraph shall be void. The election set forth in this
16 paragraph shall not apply or be available when the beneficiary is an
17 estate, or a corporation, partnership, association, institution, trustee,
18 or any fiduciary.

19 If, at the participant's death, an amount of group life insurance
20 death benefit would be payable to the beneficiary in a single sum,
21 any election with regard to such amount that was available to the
22 participant immediately prior to death in accordance with the
23 preceding paragraph shall then be available to such beneficiary for
24 the benefit of the beneficiary.

25 With respect to any death benefits payable on the basis of the
26 individual retirement annuity contract or contracts, all settlement
27 options shall be made available to the participant, retiree or
28 beneficiary as are allowed by the insurer or insurers.

29 The provisions of this section shall be construed separately with
30 respect to each of the death benefits for which a beneficiary is
31 designated by the participant or retiree.

32

33 13. (New section) The disability benefit coverage provided
34 under a group policy or policies shall provide a monthly income if
35 the participant becomes totally disabled from occupational or
36 nonoccupational causes for a period of at least six consecutive
37 months following the effective date of the coverage. The monthly
38 disability benefit may be paid by the insurance company so long as
39 the participant remains disabled up to the seventieth birthday,
40 provided the disability commenced prior to the sixtieth birthday.
41 The benefit shall terminate when the participant is no longer
42 considered totally disabled or begins to receive retirement benefits.

43 The participant shall be considered totally disabled if the
44 participant is unable to perform each duty of the participant's
45 occupation and is under the regular care of a physician. After the
46 24 months following the commencement of such disability benefit
47 payments, the participant shall be unable to engage in any gainful
48 occupation for which the participant is reasonably fitted by

1 education, training or experience. Total disability shall not be
2 considered to exist if the participant is gainfully employed.
3 Following an agreement with the insurance company and the
4 policyholder, the participant may continue to receive disability
5 benefits for a limited time while performing some type of work.
6 During the period of rehabilitation, the monthly benefit shall be the
7 regular payment less 80% of the participant's earnings from such
8 rehabilitative position.

9 A participant shall be deemed to be in service and covered by the
10 disability benefit insurance provisions for a period of no more than
11 six months while on official leave of absence without pay if
12 satisfactory evidence is presented to the Division of Pensions and
13 Benefits that such leave of absence without pay is due to illness and
14 that the participant was not actively engaged in any gainful
15 occupation during such period of leave of absence without pay.

16 Disability benefit insurance provisions of the group policy or
17 policies shall not cover disability resulting from or contributed to
18 by pregnancy, act of war, intentionally self-inflicted injury, or
19 attempted suicide whether or not sane. For purposes of such
20 disability benefit coverage, the participant shall not be considered
21 to be disabled while the participant is imprisoned or while outside
22 the United States, its territories or possessions, or Canada.

23 If the participant has recovered from the disability for which the
24 member had received benefits and again becomes totally disabled
25 while insured, the later disability shall be regarded as a continuation
26 of the prior one unless the participant has returned to full-time
27 covered employment for at least six months. If the later absence is
28 due to an unrelated cause and the participant had returned to full-
29 time work, it shall be considered a new disability. The disability
30 benefit insurance cannot be converted to an individual policy.

31 No participant shall be covered by the disability benefit
32 provision of the group policy or policies except upon the
33 completion of one year of full-time continuous employment in a
34 position eligible for participation in the Defined Contribution
35 Retirement Program.

36

37 14. (New section) The disability benefit provided under a group
38 policy or policies shall be in an amount equal to 60% of the
39 participant's base monthly salary, reduced by periodic benefits to
40 which the participant may be entitled during the period of total
41 disability.

42 The periodic benefit by which the monthly disability benefit may
43 be reduced shall include salary or wages, retirement benefits or
44 benefits from any source for which the State or other public
45 employer has paid any part of the cost or made payroll deductions,
46 Social Security disability or other benefits, including dependents'
47 benefits, and benefits paid by Social Security at the option of the
48 participant before the age of 65, but not including any increase in

1 Social Security benefits enacted after the disability benefit under
2 such group policy or policies have commenced, and any other
3 periodic benefits provided by law except on account of military
4 service.

5 When a participant begins to receive a disability benefit under
6 such group policy or policies, the insurance company shall pay an
7 amount equal to the employee contribution which would have been
8 required of the participant and deducted from the participant's base
9 salary in order to meet the participant's obligation for the program.
10 Such amount shall be paid by the insurance company without
11 reduction by any other periodic benefit which the participant is
12 eligible to receive. Such amount shall be paid by the insurance
13 company to the insurer or insurers for the participant's retirement
14 annuity.

15 Premiums for such disability coverage shall be paid from a
16 special fund, hereby created, called the "Defined Contribution
17 Retirement Program Disability Premium Fund." The State
18 Treasurer shall estimate annually the amount that will be required
19 for premiums for such benefits for the ensuing fiscal year and shall
20 certify such amounts that shall be applied to the total State and
21 other employer contributions due on behalf of the participants in the
22 retirement program from the State and other employers, depositing
23 such amounts in the premium fund. Additionally, employers will
24 pay their share of the administrative costs of the program. The
25 intervals for all payments and the allocation of administrative costs
26 shall be determined by the Division of Pensions and Benefits
27 including due dates and penalties for non compliance.

28
29 15. (New section) Notwithstanding any other provision of law,
30 an insurance company or companies issuing such policy or policies
31 may credit the policyholder either directly or in the form of reduced
32 premiums, with savings by the company or companies in the event
33 that no brokerage commission or commissions are paid by the
34 company or companies on the issuance of such policy or policies.

35 No employer obligations shall be paid when the participant is on
36 a leave of absence without pay or when the participant no longer is
37 enrolled in the retirement program.

38 The group disability insurance policy or policies shall provide a
39 participant with an opportunity to purchase additional coverage.

40 A participant who is disabled and receiving a benefit shall
41 remain eligible for employer-provided healthcare benefits coverage
42 in the same manner as such coverage is provided by the employer to
43 retirees of the retirement system.

44

45 16. Section 1 of P.L.1986, c.188 (C.43:3C-9) is amended to read
46 as follows:

47 1. The mandatory contributions by members or participants to
48 the Teachers' Pension and Annuity Fund required by N.J.S.18A:66-

1 31, to alternate benefit providers under the alternate benefit
2 program required by section 8 of P.L.1969, c.242 (C.18A:66-174),
3 to the Judicial Retirement System required by section 26 of
4 P.L.1981, c.470 (C.43:6A-34.1), to the Prison Officers' Pension
5 Fund required by section 7 of P.L.1941, c.220 (C.43:7-13), to the
6 Public Employees' Retirement System required by section 25 of
7 P.L.1954, c.84 (C.43:15A-25), to the Defined Contribution
8 Retirement Program required by section 3 of P.L. , c. (C.)
9 (pending before the Legislature as this bill), to the Consolidated
10 Police and Firemen's Pension Fund required by R.S.43:16-5, to the
11 Police and Firemen's Retirement System required by section 15 of
12 P.L.1944, c.255 (C.43:16A-15), and to the State Police Retirement
13 System required by section 38 of P.L.1965, c.89 (C.53:5A-38), shall
14 be picked up by their employers and shall be treated as employer
15 contributions as provided by section 414(h) of the United States
16 Internal Revenue Code. The amount of contributions on behalf of
17 each member shall continue to be included as regular compensation
18 for all other purposes, except that the amount shall not be included
19 in the computation of federal income taxes withheld from the
20 member's compensation.

21 (cf: P.L.1993, c.385, s.12)

22

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

25 7. There is hereby established the Public Employees'
26 Retirement System of New Jersey in the Division of Pensions and
27 Benefits of the Department of the Treasury. The membership of the
28 retirement system shall include:

29 a. The members of the former "State Employees' Retirement
30 System of New Jersey" enrolled as such as of December 30, 1954,
31 who shall not have claimed for refund their accumulated deductions
32 in said system as provided in this section;

33 b. Any person becoming an employee of the State or other
34 employer after January 2, 1955 and every veteran, other than a
35 retired member who returns to service pursuant to subsection b. of
36 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
37 whose appointments are seasonal, becoming an employee of the
38 State or other employer after such date, including a temporary
39 employee with at least one year's continuous service. The
40 membership of the retirement system shall not include those
41 persons appointed to serve as described in paragraphs (2) and (3) of
42 subsection a. of section 2 of P.L. , c. (C.)(pending before
43 the Legislature as this bill), except a person who was a member of
44 the retirement system prior to the effective date of sections 1
45 through 19 of P.L. , c. (C.)(pending before the Legislature
46 as this bill) and continuously thereafter; and

1 c. Every employee veteran in the employ of the State or other
2 employer on January 2, 1955, who is not a member of any
3 retirement system supported wholly or partly by the State.

4 d. Membership in the retirement system shall be optional for
5 elected officials other than veterans, and for school crossing guards,
6 who having become eligible for benefits under other pension
7 systems are so employed on a part-time basis. Elected officials
8 commencing service on or after the effective date of sections 1
9 through 19 of P.L. , c. (C.) (pending before the Legislature
10 as this bill) shall not be eligible for membership in the retirement
11 system based on service in the elective public office, except that an
12 elected official enrolled in the retirement system as of that effective
13 date who continues to hold that elective public office without a
14 break in service shall be eligible to continue membership in the
15 retirement system under the terms and conditions of enrollment.
16 Service in the Legislature shall be considered a single elective
17 public office. Any [such] part-time school crossing guard who is
18 eligible for benefits under any other pension system and who was
19 hired as a part-time school crossing guard prior to March 4, 1976,
20 may at any time terminate his membership in the retirement system
21 by making an application in writing to the board of trustees of the
22 retirement system. Upon receiving such application, the board of
23 trustees shall terminate his enrollment in the system and direct the
24 employer to cease accepting contributions from the member or
25 deducting from the compensation paid to the member. State
26 employees who become members of any other retirement system
27 supported wholly or partly by the State as a condition of
28 employment shall not be eligible for membership in this retirement
29 system. Notwithstanding any other law to the contrary, all other
30 persons accepting employment in the service of the State shall be
31 required to enroll in the retirement system as a condition of their
32 employment, regardless of age. No person in employment, office or
33 position, for which the annual salary or remuneration is fixed at less
34 than \$1,500.00, shall be eligible to become a member of the
35 retirement system.

36 e. Membership of any person in the retirement system shall
37 cease if he shall discontinue his service for more than two
38 consecutive years.

39 f. The accumulated deductions of the members of the former
40 "State Employees' Retirement System" which have been set aside
41 in a trust fund designated as Fund A as provided in section 5 of this
42 act and which have not been claimed for refund prior to February 1,
43 1955 shall be transferred from said Fund A to the Annuity Savings
44 Fund of the Retirement System, provided for in section 25 of this
45 act. Each member whose accumulated deductions are so transferred
46 shall receive the same prior service credit, pension credit, and
47 membership credit in the retirement system as he previously had in
48 the former "State Employees' Retirement System" and shall have

1 such accumulated deductions credited to his individual account in
2 the Annuity Savings Fund. Any outstanding obligations of such
3 member shall be continued.

4 g. Any school crossing guard electing to terminate his
5 membership in the retirement system pursuant to subsection d. of
6 this section shall, upon his request, receive a refund of his
7 accumulated deductions as of the date of his appointment to the
8 position of school crossing guard. Such refund of contributions
9 shall serve as a waiver of all benefits payable to the employee, to
10 his dependent or dependents, or to any of his beneficiaries under the
11 retirement system.

12 h. A temporary employee who is employed under the federal
13 **【Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C. s.1501)】**
14 Workforce Investment Act shall not be eligible for membership in
15 the system. Membership for temporary employees employed under
16 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.
17 s.1501) who are in the system on September 19, 1986 shall be
18 terminated, and affected employees shall receive a refund of their
19 accumulated deductions as of the date of commencement of
20 employment in a federal Job Training Partnership Act program.
21 Such refund of contributions shall serve as a waiver of all benefits
22 payable to the employee, to his dependent or dependents, or to any
23 of his beneficiaries under the retirement system.

24 i. Membership in the retirement system shall be optional for a
25 special service employee who is employed under the federal Older
26 American Community Service Employment Act, Pub.L.94-135 (42
27 U.S.C. s.3056). Any special service employee employed under the
28 federal Older American Community Service Employment Act,
29 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
30 on the effective date of P.L.1996, c.139 may terminate membership
31 in the retirement system by making an application in writing to the
32 board of trustees of the retirement system. Upon receiving the
33 application, the board shall terminate enrollment in the system and
34 the member shall receive a refund of accumulated deductions as of
35 the date of commencement of employment in a federal Older
36 American Community Service Employment Act program. This
37 refund of contributions shall serve as a waiver of all benefits
38 payable to the employee, to any dependent or dependents, or to any
39 beneficiary under the retirement system.

40 j. An employee of the South Jersey Port Corporation who was
41 employed by the South Jersey Port Corporation as of the effective
42 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
43 employed within 365 days of such effective date by a subsidiary
44 corporation or other corporation, which has been established by the
45 Delaware River Port Authority pursuant to subdivision (m) of
46 Article I of the compact creating the Delaware River Port Authority
47 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-

1 146), shall be eligible to continue membership while an employee
2 of such subsidiary or other corporation.
3 (cf: P.L.1997, c.150, s.23)
4

5 18. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
6 read as follows:

7 75. (a) If this act is so adopted it shall become effective in the
8 county or municipality adopting it on June 30 of the following year.
9 Membership in the Public Employees' Retirement System shall be
10 optional with the employees of the county, board of education or
11 municipality in the service on the day the act becomes effective or
12 on June 30, 1966, whichever is earlier, in such county, board of
13 education or municipality except in the case of public employee
14 veterans who on such date are members. An employee who elects
15 to become a member within one year after this act so takes effect
16 shall be entitled to prior service covering service rendered to the
17 county, board of education or municipality prior to July 1, 1966 or
18 prior to the date this act so becomes effective, whichever is earlier.
19 Membership shall be compulsory for all employees entering the
20 service of the county, board of education or municipality on July 1,
21 1966 or after the date this act becomes effective, whichever is
22 earlier. Where any such employee entering the service of the
23 county, board of education of education or municipality after the
24 date this act so becomes effective has had prior service for which
25 evidence satisfactory to the retirement system is presented, as an
26 employee in such county, board of education or municipality before
27 the date upon which this act so becomes effective, or July 1, 1966,
28 whichever is earlier, such employee shall be entitled to prior service
29 covering service rendered to the county, board of education or
30 municipality prior to the date this act so becomes effective, or July
31 1, 1966, whichever is earlier.

32 (b) Notwithstanding the provisions of section 74 of this act and
33 subsection (a) of this section, every person, other than a non-veteran
34 elected official, becoming an employee of a county, board of
35 education, municipality or school district after June 30, 1966, who
36 is not eligible to become a member of another retirement system,
37 shall be required to become a member of the Public Employees'
38 Retirement System. Notwithstanding the provisions of section 74
39 of this act and subsection (a) of this section, membership in the
40 retirement system shall be optional with any elected official who is
41 not a veteran, regardless of the date he assumes office, and with any
42 other person in the employ of any county, board of education,
43 municipality or school district on June 30, 1966, provided such
44 elected official or other person is not then a member and is not
45 required to be a member of the retirement system pursuant to
46 another provision of this act, and provided further that such person
47 is not eligible to be a member of another retirement system.
48 Elected officials commencing service on or after the effective date

1 of sections 1 through 19 of P.L. , c. (C.) (pending before
2 Legislature as this bill) shall not be eligible for membership in the
3 retirement system based on service in the elective public office,
4 except that an elected official enrolled in the retirement system as
5 of that effective date who continues to hold that elective public
6 office without a break in service shall be eligible to continue
7 membership in the retirement system under the terms and
8 conditions of enrollment.

9 The provisions of this subsection shall not apply to any person
10 whose position is temporary or seasonal, nor to any person in
11 office, position or employment for which the annual salary or
12 remuneration is fixed at less than \$1,500.00, nor to any person
13 whose position is not covered by the old age and survivors'
14 insurance provisions of the federal Social Security Act. No credit
15 shall be allowed to any person becoming a member of the
16 retirement system pursuant to this subsection for service rendered to
17 the employer prior to July 1, 1966, until the provisions of section 74
18 of this act have been complied with, in which event such credit
19 shall be allowed in accordance with the provisions of subsection (a)
20 of this section; except that the governing body of any county, board
21 of education or municipality may, by resolution, consent to the
22 allowance of such credit and file a certified copy of such resolution
23 with the board of trustees of the Public Employees' Retirement
24 System.

25 (cf: P.L.1986, c.139, s.4)

26

27 19. Section 1 of P.L.1972, c.167 (C.43:15A-135) is amended to
28 read as follows:

29 1. **【Notwithstanding the provisions of P.L.1954, c.84, s.7d**
30 **(C.43:15A-7d), all members of the Legislature shall become**
31 **members of the retirement system, subject to all benefits and**
32 **requirements of membership】** Members of the Legislature
33 commencing service on or after the effective date of sections 1
34 through 19 of P.L. , c. (C.) (pending before the Legislature
35 as this bill) shall not be eligible for membership in the retirement
36 system based on service in that elective office. A member of the
37 Legislature enrolled in the retirement system as of that effective
38 date who continues to hold office as a member of the Legislature
39 without a break in service shall be eligible to continue membership
40 in the retirement system under the terms and conditions of the
41 member's enrollment.

42 (cf: P.L.1972, c.167, s.1)

43

44 20. (New section) a. A person who performs professional
45 services for a political subdivision of this State or of a board of
46 education, or of any agency, authority or instrumentality thereof,
47 under a professional services contract awarded in accordance with
48 section 5 of P.L.1971, c.198 (C.40A:11-5), N.J.S.18A:18A-5 or

1 section 5 of P.L.1982, c.189 (C.18A:64A-25.5), on the basis of
2 performance of the contract, shall not be eligible for membership in
3 the Public Employees' Retirement System. A person who is a
4 member of the retirement system as of the effective date of P.L. ,
5 c. (C.)(pending before the Legislature as this bill) shall not
6 accrue service credit on the basis of that performance following the
7 expiration of an agreement or contract in effect on the effective
8 date. Nothing contained in this paragraph shall be construed as
9 affecting the provisions of any agreement or contract in effect on
10 the effective date of P.L. , c. (C.)(pending before the
11 Legislature as this bill), whether or not the agreement or contract
12 specifically provides by its terms for membership in the retirement
13 system. No renewal, extension, modification, or other agreement or
14 action to continue any professional services contract in effect on the
15 effective date of P.L. , c. (C.)(pending before the Legislature
16 as this bill) beyond its current term shall have the effect of
17 continuing the membership of a person in the retirement system or
18 continuing the accrual of service credit on the basis of performance
19 of the contract.

20 b. A person who performs professional services for a political
21 subdivision of this State or of a board of education, or of any
22 agency, authority or instrumentality thereof, shall not be eligible, on
23 the basis of performance of those professional services, for
24 membership in the Public Employees' Retirement System, if the
25 person meets the definition of independent contractor as set forth in
26 regulation or policy of the federal Internal Revenue Service for the
27 purposes of the Internal Revenue Code. Such a person who is a
28 member of the retirement system on the effective date of P.L. , c.
29 (C.)(pending before the Legislature as this bill) shall not
30 accrue service credit on the basis of that performance following the
31 expiration of an agreement or contract in effect on the effective
32 date.

33 Nothing contained in this subsection shall be construed as
34 affecting the provisions of any agreement or contract of
35 employment in effect on the effective date of P.L. , c. (C.)
36 (pending before the Legislature as this bill), whether or not the
37 agreement or contract specifically provides by its terms for
38 membership in the retirement system. No renewal, extension,
39 modification, or other agreement or action to continue any such
40 agreement or contract in effect on the effective date of P.L. ,
41 c. (C.) (pending before the Legislature as this bill) beyond its
42 current term shall have the effect of continuing the membership of a
43 person in the retirement system or continuing the accrual of service
44 credit on the basis of performance of the agreement or contract.

45 As used in this subsection, the term "professional services" shall
46 have the meaning set forth in section 2 of P.L.1971, c.198
47 (C.40A:11-2).

1 21. (New section) a. With respect to all claims for benefits
2 under the Teachers' Pension and Annuity Fund, the Public
3 Employees' Retirement System, the Judicial Retirement System, the
4 Police and Firemen's Retirement System, or the State Police
5 Retirement System submitted on or after the effective date of
6 P.L. _____, c. (C. _____)(pending before the Legislature as this bill),
7 the Division of Pensions and Benefits shall investigate increases in
8 compensation reported for credit that exceed reasonably anticipated
9 annual compensation increases for members of the retirement
10 system based upon consideration of the Consumer Price Index for
11 the time period of the increases, the table of assumed salary
12 increases recommended by the system's actuary and adopted by the
13 board of trustees of the retirement system, and the annual
14 percentage increases of salaries as indicated in data from the Public
15 Employment Relations Commission established pursuant to
16 P.L.1941, c.100 (C.34:13A-1 et seq.) or through other reliable
17 industry sources of information regarding average annual salary
18 increases.

19 b. Those cases in which a violation of the relevant statute or
20 regulation is suspected shall be referred to the board of trustees of
21 the relevant retirement system for further action.

22

23 22. Section 2 of P.L.2001, c.259 (C.43:15A-143) is amended to
24 read as follows:

25 2. Notwithstanding the provisions of any other law, workers
26 compensation judges shall be members of the Workers
27 Compensation Judges Part, established pursuant to this act,
28 P.L.2001, c.259 (C.43:15A-142 et seq.), of the Public Employees'
29 Retirement System, established pursuant to P.L.1954, c.84
30 (C.43:15A-1 et seq.), if enrolled in the part prior to the effective
31 date of P.L. _____, c. (C. _____)(pending before the Legislature as this
32 bill) and shall be subject to the same membership and benefit
33 provisions as State employees, except as provided by P.L.2001,
34 c.259. Membership in the retirement system shall be a condition of
35 employment for service as a judge of compensation for a judge
36 enrolled in the part prior to the effective date of P.L. _____,
37 c. (C. _____) (pending before the Legislature as this bill).

38 A workers compensation judge who becomes a member of the
39 retirement system on or after the effective date of P.L. _____,
40 c. (C. _____)(pending before the Legislature as this bill) shall not
41 be a member of the Workers Compensation Judges Part and the
42 provisions of P.L.2001, c.259 (C.43:15A-142 et seq.) shall not
43 apply to such judge or the judge's survivors.

44 (cf: P.L.2001, c.259, s.2)

45

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

- 1 15. (1) The contributions required for the support of the
2 retirement system shall be made by members and their employers.
- 3 (2) The uniform percentage contribution rate for members shall
4 be 8.5% of compensation.
- 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 increased at a
45 specific rate and paid annually for a specific period of time, will
46 amortize this liability. The State Treasurer shall determine, upon
47 the advice of the Director of the Division of Pensions and Benefits,
48 the board of trustees and the actuary, the rate of increase for the

1 contribution and the time period for full funding of this liability,
2 which shall not exceed 40 years on initial application of this section
3 as amended by this act, P.L.1994, c.62. This shall be known as the
4 “accrued liability contribution.” Any increase or decrease in the
5 unfunded accrued liability as a result of actuarial losses or gains for
6 the 10 valuation years following valuation year 1991 shall serve to
7 increase or decrease, respectively, the unfunded accrued liability
8 contribution. Thereafter, any increase or decrease in the unfunded
9 accrued liability as a result of actuarial losses or gains for
10 subsequent valuation years shall serve to increase or decrease,
11 respectively, the amortization period for the unfunded accrued
12 liability, unless an increase in the amortization period will cause it
13 to exceed 30 years. If an increase in the amortization period as a
14 result of actuarial losses for a valuation year would exceed 30 years,
15 the accrued liability contribution shall be computed for the
16 valuation year in the same manner provided for the computation of
17 the initial accrued liability contribution under this section.

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

1 law for this purpose.

2 The value of the assets to be used in the computation of the
3 contributions provided for under this section for valuation periods
4 shall be the value of the assets for the preceding valuation period
5 increased by the regular interest rate, plus the net cash flow for the
6 valuation period (the difference between the benefits and expenses
7 paid by the system and the contributions to the system) increased by
8 one half of the regular interest rate, plus 20% of the difference
9 between this expected value and the full market value of the assets
10 as of the end of the valuation period. This shall be known as the
11 "valuation assets." Notwithstanding the first sentence of this
12 paragraph, the valuation assets for the valuation period ending June
13 30, 1995 shall be the full market value of the assets as of that date
14 and, with respect to the valuation assets allocated to the State, shall
15 include the proceeds from the bonds issued pursuant to the "Pension
16 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
17 seq.), paid to the system by the New Jersey Economic Development
18 Authority to fund the unfunded accrued liability of the system.
19 Notwithstanding the first sentence of this paragraph, the percentage
20 of the difference between the expected value and the full market
21 value of the assets to be added to the expected value of the assets
22 for the valuation period ending June 30, 1998 for the State shall be
23 100% and for other employers shall be 57% plus such additional
24 percentage as is equivalent to \$150,000,000. Notwithstanding the
25 first sentence of this paragraph, the amount of the difference
26 between the expected value and the full market value of the assets
27 to be added to the expected value of the assets for the valuation
28 period ending June 30, 1999 shall include an additional amount of
29 the market value of the assets sufficient to fund (1) the unfunded
30 accrued liability for the supplementary "special retirement"
31 allowances provided under subsection b. of section 16 of P.L.1964,
32 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
33 full credit toward benefits under the retirement system for service
34 credited in the Public Employees' Retirement System and
35 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
36 and the reimbursement of the cost of any credit purchase pursuant
37 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
38 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

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

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

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

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

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

1 other employers for a valuation period ending after June 30, 1998,
2 the State Treasurer may reduce the normal contribution payable by
3 the State or by other employers for the next valuation period as
4 follows:

5 (1) for valuation periods ending June 30, 1996 through June 30,
6 2000, to the extent possible by up to 100% of the excess valuation
7 assets allocated to the State or to the other employers, respectively;

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

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

14 (4) for valuation periods ending **【on or after】** June 30, 2003
15 through June 30, 2007, to the extent possible by up to 50% of the
16 excess valuation assets allocated to the State or to the other
17 employers, respectively.

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

27 As of the valuation report in which the funded level is in excess
28 of 104%, an amount equal to the present value of the future normal
29 contributions for the benefits provided by P.L.2003, c.108 as
30 amending section 16 of P.L.1964, c.241 (C.43:16A-11.1), shall be
31 credited to the benefit enhancement fund. If there are excess
32 valuation assets after reductions in normal contributions as
33 authorized in the preceding paragraphs, for a valuation period
34 beginning with the valuation period in which the benefits provided
35 by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by
36 P.L.2003, c.108 apply, an amount of excess valuation assets not to
37 exceed the amount of the member contributions for the fiscal year
38 in which the normal contributions are payable shall be credited to
39 the benefit enhancement fund. The amount of excess valuation
40 assets credited to the benefit enhancement fund shall not exceed the
41 present value of the expected additional normal and accrued
42 liability contributions attributable to the provisions of section 16 of
43 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108,
44 payable on behalf of the active members over the expected working
45 lives of the active members in accordance with the tables of
46 actuarial assumptions for the valuation period. No additional
47 excess valuation assets shall be credited to the benefit enhancement
48 fund after the maximum amount is attained. Interest shall be

1 credited to the benefit enhancement fund.

2 The normal and accrued liability contributions for the increased
3 benefits for active employees under section 16 of P.L.1964, c.241
4 (C.43:16A-11.1), as amended by P.L.2003, c.108, shall be paid
5 from the benefit enhancement fund. If assets in the benefit
6 enhancement fund are insufficient to pay the normal and accrued
7 liability contributions for the increased benefits for a valuation
8 period, the retirement system shall pay the amount of normal and
9 accrued liability contributions for the increased benefits not covered
10 by assets from the benefit enhancement fund.

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

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

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

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

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

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

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

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

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

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

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

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

43 (cf: P.L.2003, c.108, s.3)

44
45 24. N.J.S.18A:66-18 is amended to read as follows:

46 18A:66-18. The contingent reserve fund shall be the fund in
47 which shall be credited contributions made by the State and other
48 employers.

1 a. Upon the basis of the tables recommended by the actuary
2 which the board of trustees adopts and regular interest, the actuary
3 of the board shall compute annually, beginning as of March 31,
4 1992, the amount of contribution which shall be the normal cost as
5 computed under the projected unit credit method attributable to
6 service rendered under the retirement system for the year beginning
7 on July 1 immediately succeeding the date of the computation. This
8 shall be known as the "normal contribution."

9 b. Upon the basis of the tables recommended by the actuary
10 which the board of trustees adopts and regular interest, the actuary
11 of the board shall annually determine if there is an amount of the
12 accrued liability of the retirement system, computed under the
13 projected unit credit method, including the liability for pension
14 adjustment benefits for active employees funded pursuant to section
15 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
16 by the assets of the retirement system, valued in accordance with
17 the asset valuation method established in this section. This shall be
18 known as the "unfunded accrued liability." If there was no
19 unfunded accrued liability for the valuation period immediately
20 preceding the current valuation period, the actuary, using the total
21 amount of this unfunded accrued liability, shall compute the initial
22 amount of contribution which, if the contribution is increased at a
23 specific rate and paid annually for a specific period of time, will
24 amortize this liability. The State Treasurer shall determine, upon
25 the advice of the Director of the Division of Pensions and Benefits,
26 the board of trustees and the actuary, the rate of increase for the
27 contribution and the time period for full funding of this liability,
28 which shall not exceed 30 years. This shall be known as the
29 "accrued liability contribution." Thereafter, any increase or
30 decrease in the unfunded accrued liability as a result of actuarial
31 losses or gains for subsequent valuation years shall serve to increase
32 or decrease, respectively, the amortization period for the unfunded
33 accrued liability, unless an increase in the amortization period will
34 cause it to exceed 30 years. If an increase in the amortization
35 period as a result of actuarial losses for a valuation year would
36 exceed 30 years, the accrued liability contribution shall be
37 computed for the valuation year in the same manner provided for
38 the computation of the initial accrued liability contribution under
39 this section. The State may pay all or any portion of its unfunded
40 accrued liability under the retirement system from any source of
41 funds legally available for the purpose, including, without
42 limitation, the proceeds of bonds authorized by law for this purpose.

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

1 one half of the regular interest rate, plus 20% of the difference
2 between this expected value and the full market value of the assets
3 as of the end of the valuation period. This shall be known as the
4 “valuation assets.” Notwithstanding the first sentence of this
5 paragraph, the valuation assets for the valuation period ending
6 March 31, 1996 shall be the full market value of the assets as of that
7 date and shall include the proceeds from the bonds issued pursuant
8 to the Pension Bond Financing Act of 1997, P.L.1997, c.114
9 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey
10 Economic Development Authority to fund the unfunded accrued
11 liability of the system. Notwithstanding the first sentence of this
12 paragraph, the valuation assets for the valuation period ending June
13 30, 1999 shall be the full market value of the assets as of that date.

14 “Excess valuation assets” for a valuation period means:

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

32 If there are excess valuation assets for the valuation period
33 ending March 31, 1996, the normal contributions for the valuation
34 periods ending March 31, 1996 and March 31, 1997 which have not
35 yet been paid to the retirement system shall be reduced to the extent
36 possible by the excess valuation assets, provided that the General
37 Fund balances that would have been paid to the retirement system
38 except for this provision shall first be allocated as State aid to
39 public schools to the extent that additional sums are required to
40 comply with the May 14, 1997 decision of the New Jersey Supreme
41 Court in *Abbott v. Burke*, and provided further that the normal
42 contribution for the valuation period ending March 31, 1996 shall
43 not be less than \$54,000,000. If there are excess valuation assets
44 for a valuation period ending after March 31, 1996, the State
45 Treasurer may reduce the normal contribution payable for the next
46 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 **[on or after]** March 31, 2004
9 through June 30, 2007, to the extent possible by up to 50% of the
10 excess 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 section 18A:66-33.

12 e. Except as provided in sections 18A:66-26 and 18A:66-53,
13 the death benefits payable under the provisions of this article upon
14 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.2001, c.133, s.2)

20
21 25. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to
22 read as follows:

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

31 b. Upon the basis of the tables recommended by the actuary
32 which the commission adopts and regular interest, the actuary shall
33 annually determine if there is an amount of the accrued liability of
34 the retirement system, computed under the projected unit credit
35 method, which is not already covered by the assets of the retirement
36 system, valued in accordance with the asset valuation method
37 established in this section. This shall be known as the "unfunded
38 accrued liability." If there was no unfunded accrued liability for the
39 valuation period immediately preceding the current valuation
40 period, the actuary, using the total amount of this unfunded accrued
41 liability, shall compute the initial amount of contribution which, if
42 the contribution is increased at a specific rate and paid annually for
43 a 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 commission and the actuary,
46 the rate of increase for the contribution and the time period for full
47 funding of this liability, which shall not exceed 30 years. This shall
48 be known as the "accrued liability contribution." Thereafter, any

1 increase or decrease in the unfunded accrued liability as a result of
2 actuarial losses or gains for subsequent valuation years shall serve
3 to increase or decrease, respectively, the amortization period for the
4 unfunded accrued liability, unless an increase in the amortization
5 period will cause it to exceed 30 years. If an increase in the
6 amortization period as a result of actuarial losses for a valuation
7 year would exceed 30 years, the accrued liability contribution shall
8 be computed for the valuation year in the same manner provided for
9 the computation of the initial accrued liability contribution under
10 this section. The State may pay all or any portion of its unfunded
11 accrued liability under the retirement system from any source of
12 funds legally available for the purpose, including, without
13 limitation, the proceeds of bonds authorized by law for this purpose.

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

31 "Excess valuation assets" means the valuation assets for a
32 valuation period less the actuarial accrued liability for the valuation
33 period, if the sum is greater than zero. If there are excess valuation
34 assets for the valuation period ending June 30, 1996, the normal
35 contributions for the valuation periods ending June 30, 1996 and
36 June 30, 1997 which have not yet been paid to the retirement
37 system shall be reduced to the extent possible by the excess
38 valuation assets, provided that the General Fund balances that
39 would have been paid to the retirement system except for this
40 provision shall first be allocated as State aid to public schools to the
41 extent that additional sums are required to comply with the May 14,
42 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*.
43 If there are excess valuation assets for a valuation period ending
44 after June 30, 1996, the State Treasurer may reduce the normal
45 contribution payable for the next valuation period as follows:

46 (1) for valuation periods ending June 30, 1997 through June 30,
47 2001, to the extent possible by up to 100% of the excess valuation
48 assets;

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

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

5 (4) for valuation periods ending **[on or after]** June 30, 2004
6 through June 30, 2007, to the extent possible by up to 50% of the
7 excess valuation assets.

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

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

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

18 (cf: P.L.1997, c.115, s.3)

19

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

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

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

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

1 initial application of this section as amended by this act, P.L.1994,
2 c.62. This shall be known as the "accrued liability contribution."
3 Any increase or decrease in the unfunded accrued liability as a
4 result of actuarial losses or gains for the 10 valuation years
5 following valuation year 1992 shall serve to increase or decrease,
6 respectively, the unfunded accrued liability contribution.
7 Thereafter, 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 30 years.
12 If an increase in the amortization period as a result of actuarial
13 losses for a valuation year would exceed 30 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 With respect to the State, upon the basis of the tables
18 recommended by the actuary which the commission adopts and
19 regular interest, the actuary shall annually determine if there is an
20 amount of the accrued liability of the retirement system, computed
21 under the projected unit credit method, which is not already covered
22 by the assets of the retirement system, valued in accordance with
23 the asset valuation method established in this section. This shall be
24 known as the "unfunded accrued liability." If there was no
25 unfunded accrued liability for the valuation period immediately
26 preceding the current valuation period, the actuary, using the total
27 amount of this unfunded accrued liability, shall compute the initial
28 amount of contribution which, if the contribution is increased at a
29 specific rate and paid annually for a specific period of time, will
30 amortize this liability. The State Treasurer shall determine, upon
31 the advice of the Director of the Division of Pensions and Benefits,
32 the commission and the actuary, the rate of increase for the
33 contribution and the time period for full funding of this liability,
34 which shall not exceed 30 years. This shall be known as the
35 "accrued liability contribution." Thereafter, any increase or
36 decrease in the unfunded accrued liability as a result of actuarial
37 losses or gains for subsequent valuation years shall serve to increase
38 or decrease, respectively, the amortization period for the unfunded
39 accrued liability, unless an increase in the amortization period will
40 cause it to exceed 30 years. If an increase in the amortization
41 period as a result of actuarial losses for a valuation year would
42 exceed 30 years, the accrued liability contribution shall be
43 computed for the valuation year in the same manner provided for
44 the computation of the initial accrued liability contribution under
45 this section. The State may pay all or any portion of its unfunded
46 accrued liability under the retirement system from any source of
47 funds legally available for the purpose, including, without
48 limitation, the proceeds of bonds authorized by law for this purpose.

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

21 “Excess valuation assets” for a valuation period means, with
22 respect to the valuation assets allocated to the State:

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

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

26 (3) the contributory group insurance premium fund, created by
27 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
28 4 of P.L.1960, c.79; less

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

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

39 “Excess valuation assets” for a valuation period means, with
40 respect to the valuation assets allocated to other employers:

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

42 (2) the actuarial accrued liability of the other employers for
43 basic benefits and pension adjustment benefits under the retirement
44 system, excluding the unfunded accrued liability for early
45 retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991,
46 c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other
47 than the State; 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 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 for the other
7 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
8 over the full phase-in period, determined in the manner prescribed
9 for the determination and amortization of the unfunded accrued
10 liability of the system, if the sum of the foregoing items is greater
11 than zero.

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

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

34 (2) for the valuation period ending March 31, 2002, 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 March 31, 2003, 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 **[on or after]** March 31, 2004
41 through June 30, 2007, to the extent possible by up to 50% of the
42 excess valuation assets allocated to the State or to the other
43 employers, respectively.

44 For calendar years 1998 and 1999, the rate of contribution of
45 members of the retirement system under section 25 of P.L.1954,
46 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
47 valuation assets and for calendar years 2000 and 2001, the rate of
48 contribution shall be reduced by 2% from excess valuation assets.

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

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

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

40 c. The retirement system shall certify annually the aggregate
41 amount payable to the contingent reserve fund in the ensuing year,
42 which amount shall be equal to the sum of the amounts described in
43 this section.

44 The State Treasurer shall reduce the normal and accrued liability
45 contributions payable by employers other than the State, excluding
46 the contribution payable from the benefit enhancement fund, to a
47 percentage of the amount certified annually by the retirement
48 system, which percentage shall be: for payments due in the State

1 fiscal year ending June 30, 2005, 20%; for payments due in the
2 State fiscal year ending June 30, 2006, not more than 40%; for
3 payments due in the State fiscal year ending June 30, 2007, not
4 more than 60%; and for payments due in the State fiscal year ending
5 June 30, 2008, not more than 80%.

6 The State shall pay into the contingent reserve fund during the
7 ensuing year the amount so determined. The death benefits,
8 payable as a result of contribution by the State under the provisions
9 of this chapter upon the death of an active or retired member, shall
10 be paid from the contingent reserve fund.

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

14 (cf: P.L.2003, c.108, s.1)

15

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

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

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

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

1 amortization period for the unfunded accrued liability, unless an
2 increase in the amortization period will cause it to exceed 30 years.
3 If an increase in the amortization period as a result of actuarial
4 losses for a valuation year would exceed 30 years, the accrued
5 liability contribution shall be computed for the valuation year in the
6 same manner provided for the computation of the initial accrued
7 liability contribution under this section. The State may pay all or
8 any portion of its unfunded accrued liability under the retirement
9 system from any source of funds legally available for the purpose,
10 including, without limitation, the proceeds of bonds authorized by
11 law for this purpose.

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

29 "Excess valuation assets" means the valuation assets for a
30 valuation period less the actuarial accrued liability for the valuation
31 period, if the sum is greater than zero. If there are excess valuation
32 assets for the valuation period ending June 30, 1996, the normal
33 contributions for the valuation periods ending June 30, 1996 and
34 June 30, 1997 which have not yet been paid to the retirement
35 system shall be reduced to the extent possible by the excess
36 valuation assets, provided that the General Fund balances that
37 would have been paid to the retirement system except for this
38 provision shall first be allocated as State aid to public schools to the
39 extent that additional sums are required to comply with the May 14,
40 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*.
41 If there are excess valuation assets for a valuation period ending
42 after June 30, 1996, the State Treasurer may reduce the normal
43 contribution payable for the next valuation period as follows:

44 (1) for valuation periods ending June 30, 1997 through June 30,
45 2001, to the extent possible by up to 100% of the excess valuation
46 assets;

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

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

3 (4) for valuation periods ending **【on or after】** June 30, 2004
4 through June 30, 2007, to the extent possible by up to 50% of the
5 excess valuation assets.

6 c. The actuary shall certify annually the aggregate amount
7 payable to the Contingent Reserve Fund in the ensuing year, which
8 amount shall be equal to the sum of the amounts described in this
9 section. The State shall pay into the Contingent Reserve Fund
10 during the ensuing year the amount so certified. In the event the
11 amount certified to be paid by the State includes amounts due for
12 services rendered by members to specific instrumentalities or
13 authorities the total amounts so certified shall be paid to the
14 retirement system by the State; provided, however, the full cost
15 attributable to such services rendered to such instrumentalities and
16 authorities shall be computed separately by the actuary and the
17 State shall be reimbursed for such amounts by such
18 instrumentalities or authorities.

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

23 (cf: P.L.1997, c.115, s.9)

24

25 28. (New section) The Teachers' Pension and Annuity Fund, the
26 Judicial Retirement System, the Prison Officers' Pension Fund, the
27 Public Employees' Retirement System, the Consolidated Police and
28 Firemen's Pension Fund, the Police and Firemen's Retirement
29 System, and the State Police Retirement System shall use consistent
30 and generally-accepted actuarial standards, as established by the
31 Governmental Accounting Standards Board or its successor, for the
32 purpose of determining fund or system asset values, obligations and
33 annual employer contributions. Any modification of the
34 assumptions or actuarial methodology at the direction of the State
35 that changes asset values, obligations or annual contributions shall
36 require public disclosure prior to adoption, including a financial
37 impact analysis.

38

39 29. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to
40 read as follows:

41 8. a. The basic coverage and the major medical coverage of any
42 employee, and the employee's dependents, if any, shall cease upon
43 the discontinuance of the term of office or employment or upon
44 cessation of active full-time employment subject to such regulations
45 as may be prescribed by the commission for limited continuance of
46 basic coverage and major medical coverage during disability, part-
47 time employment, leave of absence or lay off, and for continuance
48 of basic coverage and major medical coverage after retirement, any

1 such continuance after retirement to be provided at such rates and
2 under such conditions as shall be prescribed by the commission,
3 subject, however, to the requirements hereinafter set forth in this
4 section. Notwithstanding the provisions of any law to the contrary,
5 for law enforcement officers employed by the State for whom there
6 is a majority representative for collective negotiation purposes, and
7 for nonaligned sworn members of the Division of State Police who
8 retire after July 1, 2005, the coverage options available to such
9 employees in retirement shall be limited to those options that were
10 available to the employee on the employee's last day of
11 employment. The commission may also establish regulations
12 prescribing an extension of coverage when an employee or
13 dependent is totally disabled at termination of coverage.

14 b. Rates payable by retired employees for themselves and their
15 dependents, by active employees for dependents covered by
16 medicare benefits, and by the State or other employer for an active
17 employee alone covered by medicare benefits, shall be determined
18 on the basis of utilization experience according to classifications
19 determined by the commission, provided, however, that the total
20 rate payable by such retired employee for the employee and the
21 employee's dependents, or by such active employee for the
22 employee's dependents and the State or other employer for such
23 active employee alone, for coverage hereunder and for Part B of
24 medicare, shall not exceed by more than 25%, as determined by the
25 commission, the total amount which would have been required to
26 have been paid by the employee and by the State or other employer
27 for the coverage maintained had the employee continued in office or
28 active employment and the employee and the employee's
29 dependents were not eligible for medicare benefits. "Medicare" as
30 used in this act means the coverage provided under Title XVIII of
31 the Social Security Act as amended in 1965, or its successor plan or
32 plans.

33 c. (1) From funds appropriated therefor, the State shall pay the
34 premium or periodic charges for the benefits provided to a retired
35 State employee and the employee's dependents covered under the
36 program, but not including survivors, if such employee retired from
37 one or more State or locally-administered retirement systems on a
38 benefit or benefits based in the aggregate on 25 years or more of
39 nonconcurrent service credited in the retirement systems, excluding
40 service credited under the Defined Contribution Retirement
41 Program established pursuant to P.L. , c. (C.) (pending
42 before the Legislature as this bill), and excepting the employee who
43 elected deferred retirement, but including the employee who retired
44 on a disability pension based on fewer years of service credited in
45 the retirement systems and shall also reimburse such retired
46 employee for the premium charges under Part B of the federal
47 medicare program covering the retired employee and the
48 employee's spouse. In the case of full-time employees of the

1 Rutgers University Cooperative Extension Service, service credited
2 in the federal Civil Service Retirement System (5 U.S.C.s.8331 et
3 seq.) which was earned as a result of full-time employment at
4 Rutgers University, may be considered alone or in combination with
5 service credited in one or more State or locally-administered
6 retirement systems for the purposes of establishing the minimum
7 25-year service requirement to qualify for the benefits provided in
8 this section. Any full-time employee of the Rutgers University
9 Cooperative Extension Service who meets the eligibility
10 requirements set forth in this amendatory act shall be eligible for
11 the benefits provided in this section, provided that at the time of
12 retirement such employee was covered by the State Health Benefits
13 Program and elected to continue such coverage into retirement.

14 (2) Notwithstanding the provisions of this section to the
15 contrary, from funds appropriated therefor, the State shall pay the
16 premium or periodic charges for the benefits provided to a retired
17 State employee and the employee's dependents covered under the
18 program, but not including survivors, if: (a) the employee retires on
19 or after the effective date of this 1987 amendatory act; (b) the
20 employee was employed by Rutgers University prior to January 2,
21 1955 and remained in continuous service with Rutgers University
22 until retirement even though the employee (i) did not join a State-
23 administered retirement system, or, (ii) became a member of a
24 State-administered retirement system, but accumulated less than 25
25 years of credited service; and (c) the employee is covered by the
26 program at the time of retirement.

27 (3) Notwithstanding the provisions of this section to the
28 contrary, in the case of an employee of a State college, as described
29 in chapter 64 of Title 18A of the New Jersey Statutes, or of a
30 county college, as defined in N.J.S.18A:64A-1, service credited in a
31 private defined contribution retirement plan which was earned as an
32 employee of an auxiliary organization, as defined in section 2 of
33 P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be
34 considered in combination with service credited in a State-
35 administered retirement system for the purposes of establishing the
36 minimum 25-year service requirement to qualify for the benefits
37 provided in this section, provided that the employee is covered by
38 the program at the time of retirement.

39 (4) Notwithstanding the provisions of this section to the
40 contrary, from funds appropriated therefor, the State shall pay the
41 premium or periodic charges for the benefits provided to a retired
42 State employee and any dependents covered under the program, but
43 not including survivors, if the employee: (a) retired prior to the
44 effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under
45 the State Police Retirement System, established pursuant to
46 P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than
47 25 years of service credit in the retirement system; (b) was
48 subsequently employed by the State in another position or positions

1 not covered by the State Police Retirement System; (c) has, in the
2 aggregate, at least 30 years of full-time employment with the State;
3 and (d) is covered by the program at the time of terminating full-
4 time employment with the State.

5 (cf: P.L.2005, c.341, s.3)

6

7 30. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to
8 read as follows:

9 7. a. The Division of Pensions and Benefits shall certify to the
10 certifying agent of each employer electing participation under the
11 program the premium rates and periodic charges applicable to the
12 coverage provided for employees and dependents. The
13 participating employer shall remit to the division all contributions
14 to premiums and periodic charges in advance of their due dates,
15 subject to the rules and regulations of the commission.

16 b. (1) From funds allocated therefor, the employer other than
17 the State, upon the adoption and submission to the division of an
18 appropriate resolution prescribed by the commission, may pay the
19 premium or periodic charges for the benefits provided to a retired
20 employee and the employee's dependents covered under the
21 program, if the employee retired from a State or locally-
22 administered retirement system, excepting the employee who
23 elected deferred retirement, and may also reimburse the retired
24 employee for the employee's premium charges under Part B of
25 Medicare covering the retired employee and the employee's spouse
26 if the employee:

27 (a) retired on a disability pension; or

28 (b) retired after 25 or more years of nonconcurrent service credit
29 in one or more State or locally-administered retirement systems,
30 excluding service credited under the Defined Contribution
31 Retirement Program established pursuant to P. L. , c. (C.)
32 (pending before the Legislature as this bill), and a period of service
33 of up to 25 years with the employer at the time of retirement, such
34 period of service to be determined by the employer and set forth in
35 an ordinance or resolution as appropriate; or

36 (c) retired and reached the age of 65 years or older with 25
37 years or more of nonconcurrent service credit in one or more State
38 or locally-administered retirement systems, excluding service
39 credited under the Defined Contribution Retirement Program, and a
40 period of service of up to 25 years with the employer at the time of
41 retirement, such period of service to be determined by the employer
42 and set forth in an ordinance or resolution as appropriate; or

43 (d) retired and reached the age of 62 years or older with at least
44 15 years of service with the employer, excluding service credited
45 under the Defined Contribution Retirement Program.

46 "Retired employee and the employee's dependents" may, upon
47 adoption of an appropriate resolution therefor by the participating
48 employer, also include otherwise eligible employees, and their

1 dependents, who retired from one or more State or locally-
2 administered retirement systems prior to the date that the employer
3 became a participating employer in the New Jersey State Health
4 Benefits Program or who did not elect to continue coverage in the
5 program during such time after the employer became a participating
6 employer that the employer did not pay premium or periodic
7 charges for benefits to retired employees and their dependents
8 pursuant to this section. Eligibility and enrollment of such
9 employees and dependents shall be in accordance with such rules
10 and regulations as may be adopted by the State Health Benefits
11 Commission.

12 The employer other than the State may, by resolution, pay the
13 premium or periodic charges for the benefits provided to the
14 surviving spouse of a retired employee and the employee's
15 dependents covered under the program as provided in this section.

16 (2) Notwithstanding the provisions of any other law to the
17 contrary, the obligations of an employer other than the State, except
18 an independent State authority, board, commission, corporation,
19 agency, or organization deemed to be covered by section 6 of
20 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose
21 employees are covered by section 3 of P.L.1987, c.384 (C.52:14-
22 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section
23 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or
24 periodic charges for health benefits coverage under the provisions
25 of paragraph (1) may be determined by means of a binding
26 collective negotiations agreement, including any agreement in force
27 at the time of the adoption of this act, P.L.1999, c.48. With respect
28 to employees for whom there is no majority representative for
29 collective negotiations purposes, the employer may, in its sole
30 discretion, determine the payment obligations for the employer and
31 the employees, except that if there are collective negotiations
32 agreements binding upon the employer for employees who are
33 within the same community of interest as employees in a collective
34 negotiations unit but are excluded from participation in the unit by
35 the "New Jersey Employer-Employee Relations Act," P.L.1941,
36 c.100 (C.34:13A-1 et seq.), the payment obligations shall be
37 determined in a manner consistent with the terms of any collective
38 negotiations agreement applicable to the collective negotiations
39 unit.

40 c. Notwithstanding the provisions of any other law to the
41 contrary, the payment obligations of an employee of an employer
42 other than the State, except an independent State authority, board,
43 commission, corporation, agency, or organization, for health
44 benefits coverage under subsection b. shall be the payment
45 obligations applicable to the employee on the date the employee
46 retires on a disability pension or the date the employee meets the

1 service credit and service requirements for the employer payment
2 for the coverage, as the case may be.

3 (cf: P.L.2001, c.209, s.4)

4

5 31. (New section) The State Health Benefits Commission shall
6 ensure that every contract purchased by the commission on or after
7 the effective of P.L. , c. (C.)(pending before the Legislature
8 as this bill) to provide benefits under the State managed care plans
9 includes a disease and chronic care management plan for specified
10 conditions meeting nationally recognized accreditation standards
11 and including specified outcome measures and objectives for
12 disease and chronic care management.

13

14 32. N.J.S.18A:66-35 is amended to read as follows:

15 18A:66-35. Any member who has at least 3 years of service to
16 his credit for which he has contributed as a member may borrow
17 from the retirement system, an amount equal to not more than 50%
18 of the amount of his accumulated deductions, but not less than
19 \$50.00; provided, that the amount so borrowed, together with
20 interest thereon, can be repaid by additional deductions from
21 compensation, not in excess of 25% of the member's compensation,
22 made at the same time compensation is paid to the member. The
23 amount so borrowed, together with interest [at the rate of 4% per
24 annum] on any unpaid balance thereof, shall be repaid to the
25 retirement system in equal installments by deduction from the
26 compensation of the member at the time the compensation is paid or
27 in such lump sum amount to repay the balance of the loan but such
28 installment shall be at least equal to the member's rate of
29 contribution to the retirement system and at least sufficient to repay
30 the amount borrowed with interest thereon. Not more than two
31 loans may be granted to any member in any calendar year.
32 Notwithstanding any other law affecting the salary or compensation
33 of any person or persons to whom this article applies or shall apply,
34 the additional deductions required to repay the loan shall be made.

35 The rate of interest for a loan requested by a member prior to the
36 effective date of P.L. , c. (C.)(pending before the Legislature
37 as this bill) shall be 4% per annum on any unpaid balance thereof.
38 For a loan requested after the effective date of that act, the rate of
39 interest per annum shall be a commercially reasonable rate as
40 required by the Internal Revenue Code to be determined by the
41 State Treasurer on that effective date, and on January 1 of each
42 calendar year thereafter. An administrative fee in an amount set by
43 the State Treasurer for each calendar year may be charged for any
44 loan requested after the effective date of P.L. , c. (C.)
45 (pending before the Legislature as this bill). Loans shall be made to
46 a member from his accumulated deductions. The interest earned on

1 such loans shall be treated in the same manner as interest earned
2 from investments of the retirement system.

3 (cf: P.L.1981, c.212, s.1)

4

5 33. Section 2 of P.L.1981, c.212 (C.18A:66-35.1) is amended to
6 read as follows:

7 2. In the case of any member who retires without paying the
8 full amount so borrowed, the Division of Pensions and Benefits
9 shall deduct from the retirement benefit payments the same monthly
10 amount which was deducted from the compensation of the member
11 immediately preceding retirement until the balance of the amount
12 borrowed together with the interest [at the rate of 4% per annum] is
13 repaid. In the case of a pensioner who dies before the outstanding
14 balance of the loan and interest thereon has been recovered, the
15 remaining balance shall be repaid from the proceeds of any other
16 benefit payable on the account of the pensioner either in the form of
17 monthly payments due to his beneficiaries or in the form of lump
18 sum payments payable for pension or group life insurance.

19 (cf: P.L.1999, c.132, s.1)

20

21 34. Section 1 of P.L.1997, c.25 (C.43:6A-34.3) is amended to
22 read as follows:

23 1. Notwithstanding any provision to the contrary, any member
24 who has at least three years of service to the member's credit for
25 which the member has contributed as a member may borrow from
26 the retirement system, an amount equal to not more than 50% of the
27 amount of the member's accumulated deductions, but not less than
28 \$50.00; provided, that the amount so borrowed, together with
29 interest thereon, can be repaid by additional deductions from
30 compensation, not in excess of 25% of the member's compensation,
31 made at the same time compensation is paid to the member. The
32 amount so borrowed, together with interest [at the rate of 4% per
33 annum] on any unpaid balance thereof, shall be repaid to the
34 retirement system in equal installments by deduction from the
35 compensation of the member at the time the compensation is paid or
36 in such lump sum amount to repay the balance of the loan but such
37 installments shall be at least equal to the member's rate of
38 contribution to the retirement system and at least sufficient to repay
39 the amount borrowed with interest thereon. Not more than two
40 loans may be granted to any member in any calendar year.
41 Notwithstanding any other law affecting the salary or compensation
42 of any person or persons to whom this act applies or shall apply, the
43 additional deductions required to repay the loan shall be made.

44 The rate of interest for a loan requested by a member prior to the
45 effective date of P.L. , c. (C.)(pending before the Legislature
46 as this bill) shall be 4% per annum on any unpaid balance thereof.
47 For a loan requested after the effective date of that act, the rate of
48 interest per annum shall be a commercially reasonable rate as

1 required by the Internal Revenue Code to be determined by the
2 State Treasurer on that effective date, and on January 1 of each
3 calendar year thereafter. An administrative fee in an amount set by
4 the State Treasurer for each calendar year may be charged for any
5 loan requested after the effective date of P.L. , c. (C.)
6 (pending before the Legislature as this bill).

7 Loans shall be made to a member from the member's
8 accumulated deductions. The interest earned on such loans shall be
9 treated in the same manner as interest earned from investments of
10 the retirement system.

11 (cf: P.L.1997, c.25, s.1)

12

13 35. Section 2 of P.L.1997, c.25 (C.43:6A-34.4) is amended to
14 read as follows:

15 2. In the case of any member who retires without repaying the
16 full amount so borrowed, the Division of Pensions and Benefits
17 shall deduct from the retirement benefit payments the same monthly
18 amount which was deducted from the compensation of the member
19 immediately preceding retirement until the balance of the amount
20 borrowed together with the interest **[at the rate of 4% per annum]** is
21 repaid. In the case of a pensioner who dies before the outstanding
22 balance of the loan and interest thereon has been recovered, the
23 remaining balance shall be repaid from the proceeds of any other
24 benefits payable on the account of the pensioner either in the form
25 of monthly payments due to the pensioner's beneficiaries or in the
26 form of lump sum payments payable for pension or group life
27 insurance.

28 (cf: P.L.1999, c.132, s.4)

29

30 36. Section 34 of P.L.1954, c.84 (C.43:15A-34) is amended to
31 read as follows:

32 34. Any member who has at least 3 years of service to his credit
33 for which he has contributed as a member may borrow from the
34 retirement system, an amount equal to not more than 50% of the
35 amount of his accumulated deductions, but not less than \$50.00;
36 provided, that the amount so borrowed, together with interest
37 thereon, can be repaid by additional deductions from compensation,
38 not in excess of 25% of the member's compensation, made at the
39 same time compensation is paid to the member. The amount so
40 borrowed, together with interest **[at the rate of 4% per annum]** on
41 any unpaid balance thereof, shall be repaid to the retirement system
42 in equal installments by deduction from the compensation of the
43 member at the time the compensation is paid or in such lump sum
44 amount to repay the balance of the loan but such installments shall
45 be at least equal to the member's rate of contribution to the
46 retirement system and at least sufficient to repay the amount
47 borrowed with interest thereon. Not more than two loans may be
48 granted to any member in any calendar year. Notwithstanding any

1 other law affecting the salary or compensation of any person or
2 persons to whom this act applies or shall apply, the additional
3 deductions required to repay the loan shall be made.

4 The rate of interest for a loan requested by a member prior to the
5 effective date of P.L. , c. (C.)(pending before the Legislature
6 as this bill) shall be 4% per annum on any unpaid balance thereof.
7 For a loan requested after the effective date of that act, the rate of
8 interest per annum shall be a commercially reasonable rate as
9 required by the Internal Revenue Code to be determined by the
10 State Treasurer on that effective date, and on January 1 of each
11 calendar year thereafter. An administrative fee in an amount set by
12 the State Treasurer for each calendar year may be charged for any
13 loan requested after the effective date of P.L. , c. (C.)
14 (pending before the Legislature as this bill).

15 Loans shall be made to a member from his accumulated
16 deductions. The interest earned on such loans shall be treated in the
17 same manner as interest earned from investments of the retirement
18 system.

19 (cf: P.L.1981, c.55, s.1)

20

21 37. Section 2 of P.L.1981, c.55 (C.43:15A-34.1) is amended to
22 read as follows:

23 2. In the case of any member who retires without repaying the
24 full amount so borrowed, the Division of Pensions and Benefits
25 shall deduct from the retirement benefit payments the same monthly
26 amount which was deducted from the compensation of the member
27 immediately preceding retirement until the balance of the amount
28 borrowed together with the interest **[at the rate of 4% per annum]** is
29 repaid. In the case of a pensioner who dies before the outstanding
30 balance of the loan and interest thereon has been recovered, the
31 remaining balance shall be repaid from the proceeds of any other
32 benefits payable on the account of the pensioner either in the form
33 of monthly payments due to his beneficiaries or in the form of lump
34 sum payments payable for pension or group life insurance.

35 (cf: P.L.1999, c.132, s.2)

36

37 38. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended
38 to read as follows:

39 18. Any member who has at least 3 years of service to his credit
40 for which he has contributed as a member may borrow from the
41 retirement system, an amount equal to not more than 50% of the
42 amount of his aggregate contributions, but not less than \$50.00;
43 provided that the amount so borrowed, together with interest
44 thereon, can be repaid by additional deductions from salary, not in
45 excess of 25% of the member's salary, made at the time the salary
46 is paid to the member. The amount so borrowed, together with
47 interest **[at the rate of 4% per annum]** on any unpaid balance
48 thereof, shall be repaid to the retirement system in equal

1 installments by deductions from the salary of the member at the
2 time the salary is paid or in such lump sum amount to repay the
3 balance of the loan but such installments shall be at least equal to
4 the member's rate of contribution to the retirement system and at
5 least sufficient to repay the amount borrowed with interest thereon.
6 Not more than two loans may be granted to any member in any
7 calendar year. Notwithstanding any other law affecting the salary
8 or compensation of any person or persons to whom this act applies
9 or shall apply, the additional deductions required to repay the loan
10 shall be made.

11 The rate of interest for a loan requested by a member prior to the
12 effective date of P.L. , c. (C.)(pending before the Legislature
13 as this bill) shall be 4% per annum on any unpaid balance thereof.
14 For a loan requested after the effective date of that act, the rate of
15 interest per annum shall be a commercially reasonable rate as
16 required by the Internal Revenue Code to be determined by the
17 State Treasurer on that effective date, and on January 1 of each
18 calendar year thereafter. An administrative fee in an amount set by
19 the State Treasurer for each calendar year may be charged for any
20 loan requested after the effective date of P.L. , c. (C.)
21 (pending before the Legislature as this bill).

22 Loans shall be made to a member from his aggregate
23 contributions. The interest earned on such loans shall be treated in
24 the same manner as interest earned from investments of the
25 retirement system.

26 (cf: P.L.1981, c.370, s.1)

27
28 39. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to
29 read as follows:

30 2. In the case of any member who retires without repaying the
31 full amount so borrowed, the Division of Pensions and Benefits
32 shall deduct from the retirement benefit payments the same monthly
33 amount which was deducted from the compensation of the member
34 immediately preceding retirement until the balance of the amount
35 borrowed together with the interest [at the rate of 4% per annum] is
36 repaid. In the case of a pensioner who dies before the outstanding
37 balance of the loan and interest thereon has been recovered, the
38 remaining balance shall be repaid from the proceeds of any other
39 benefits payable on the account of the pensioner either in the form
40 of monthly payments due to his beneficiaries or in the form of lump
41 sum payments payable for pension or group life insurance.

42 (cf: P.L.1999, c.132, s.3)

43
44 40. Section 29 of P.L.1965, c.89 (C.53:5A-29) is amended to
45 read as follows:

46 29. Any member who has at least three years of service to the
47 member's credit for which the member has contributed as a member
48 may borrow from the retirement system, an amount equal to not

1 more than 50% of the amount of the member's aggregate
2 contributions, but not less than \$50.00; provided, that the amount so
3 borrowed, together with interest thereon, can be repaid by
4 additional deductions from salary, not in excess of 25% of the
5 member's salary, made at the time the salary is paid to the member.
6 The amount so borrowed, together with interest [at the rate of 4%
7 per annum] on any unpaid balance thereof, shall be repaid to the
8 retirement system in equal installments by deductions from the
9 salary of the member at the time the salary is paid or in such lump
10 sum amount to repay the balance of the loan but such installments
11 shall be at least equal to the member's rate of contribution to the
12 retirement system and at least sufficient to repay the amount
13 borrowed with interest thereon. Not more than two loans may be
14 granted to any member in any calendar year. Notwithstanding any
15 other law affecting the salary or compensation of any person or
16 persons to whom this act applies or shall apply, the additional
17 deductions required to repay the loan shall be made.

18 The rate of interest for a loan requested by a member prior to the
19 effective date of P.L. , c. (C.)(pending before the Legislature
20 as this bill) shall be 4% per annum on any unpaid balance thereof.
21 For a loan requested after the effective date of that act, the rate of
22 interest per annum shall be a commercially reasonable rate as
23 required by the Internal Revenue Code to be determined by the
24 State Treasurer on that effective date, and on January 1 of each
25 calendar year thereafter. An administrative fee in an amount set by
26 the State Treasurer for each calendar year may be charged for any
27 loan requested after the effective date of P.L. , c. (C.)
28 (pending before the Legislature as this bill).

29 Loans shall be made to a member from the member's aggregate
30 contributions. The interest earned on such loans shall be treated in
31 the same manner as interest earned from investments of the
32 retirement system.

33 In the case of any member who retires without repaying the full
34 amount so borrowed, the Division of Pensions and Benefits shall
35 deduct from the retirement allowance payments the same monthly
36 amount which was deducted from the salary of the member
37 immediately preceding retirement until the balance of the amount
38 borrowed together with the interest [at the rate of 4% per annum] is
39 repaid. In the case of a retirant who dies before the outstanding
40 balance of the loan and interest thereon has been recovered, the
41 remaining balance shall be repaid from the proceeds of any other
42 benefits payable on the account of the retirant either in the form of
43 monthly payments due to the retirant's beneficiaries or in the form
44 of lump sum payments payable for pension or group life insurance.
45 (cf: P.L.1999, c.132, s.5)

46

47 41. (New Section) a. Upon the termination of the Teachers'
48 Pension and Annuity Fund, the Public Employees' Retirement

1 System, the Judicial Retirement System, the Police and Firemen's
2 Retirement System, the State Police Retirement System, the Prison
3 Officers' Pension Fund, or the Consolidated Police and Firemen's
4 Fund, or upon complete discontinuance of contributions to any of
5 the retirement systems, the rights of all members of such retirement
6 system to benefits accrued to the date of such termination or
7 discontinuance, to the extent then funded, are non-forfeitable.

8 b. Notwithstanding any law, rule or regulation to the contrary,
9 the form and timing of all distributions from the Teachers' Pension
10 and Annuity Fund, the Public Employees' Retirement System, the
11 Judicial Retirement System, the Police and Firemen's Retirement
12 System, the State Police Retirement System, the Prison Officers'
13 Pension Fund, or the Consolidated Police and Firemen's Fund, to a
14 member, or to the beneficiary of a member if the member dies
15 before the member's entire interest has been distributed, shall
16 conform to the required distribution provisions of section 401(a)(9)
17 of the federal Internal Revenue Code and the regulations issued by
18 the United States Department of the Treasury under that Code
19 section, including the incidental death benefit requirements of
20 section 401(a)(9)(G) of the federal Internal Revenue Code. In
21 addition, in no event shall payments under any of the retirement
22 systems commence to be paid to a member later than the member's
23 required beginning date, without regard to whether the member has
24 filed application therefor. For this purpose, a member's required
25 beginning date is the April 1 of the calendar year following the later
26 of (1) the calendar year in which the member attains age 70 ½ or (2)
27 the calendar year in which the member retires. The actuarial
28 adjustment described in section 401(a)(9)(C)(iii) of the federal
29 Internal Revenue Code shall not apply.

30

31 42. (New section) Notwithstanding any law, rule or regulation
32 to the contrary, a political subdivision of the State, or an agency,
33 authority or instrumentality thereof, that has adopted the provisions
34 of Title 11A of the New Jersey Statutes, shall not pay supplemental
35 compensation to any officer or employee for accumulated unused
36 sick leave in an amount in excess of \$15,000, except that an officer
37 or employee who:

38 (1) on the effective date of P.L. , c. (C.)(pending before
39 the Legislature as this bill), or upon the expiration of a collective
40 negotiations agreement or contract of employment applicable to that
41 officer or employee in effect on that date has accrued supplemental
42 compensation based upon accumulated unused sick leave shall,
43 upon retirement, be eligible to receive for any unused leave not
44 more than the amount so accumulated or not more than \$15,000,
45 whichever is greater; or

46 (2) becomes an officer or employee after the effective date of
47 P.L. , c. (C.)(pending before the Legislature as this bill) and
48 has previously accrued supplemental compensation based upon

1 accumulated unused sick leave shall, upon retirement, be eligible to
2 receive for any unused leave not more than the amount so
3 previously accumulated or not more than \$15,000, whichever is
4 greater.

5 Supplemental compensation shall be payable only at the time of
6 retirement from a State-administered or locally-administered
7 retirement system based on the leave credited on the date of
8 retirement.

9 As used in this section, "officer or employee" means an elected
10 official; or a person appointed by the Governor with the advice and
11 consent of the Senate, or appointed by the Governor to serve at the
12 pleasure of the Governor only during his or her term of office; or a
13 person appointed by an elected public official or elected governing
14 body of a political subdivision of the State, with the specific
15 consent or approval of the elected governing body of the political
16 subdivision that is substantially similar in nature to the advice and
17 consent of the Senate for appointments by the Governor of the State
18 as that similarity is determined by the elected governing body and
19 set forth in an adopted ordinance or resolution, pursuant to
20 guidelines or policy that shall be established by the Local Finance
21 Board in the Department of Community Affairs, but not including a
22 person who is employed or appointed in the regular or normal
23 course of employment or appointment procedures and consented to
24 or approved in a general or routine manner appropriate for and
25 followed by the political subdivision, or the agency, authority or
26 instrumentality of a subdivision, or a person who holds a
27 professional license or certificate to perform and is performing as a
28 certified health officer, tax assessor, tax collector, municipal
29 planner, chief financial officer, registered municipal clerk,
30 construction code official, licensed uniform subcode inspector,
31 qualified purchasing agent, or certified public works manager.

32
33 43. (New section) Notwithstanding any law, rule or regulation
34 to the contrary, a political subdivision of the State, or an agency,
35 authority or instrumentality thereof, that has not adopted the
36 provisions of Title 11A of the New Jersey Statutes, shall not pay
37 supplemental compensation to any officer or employee for
38 accumulated unused sick leave in an amount in excess of \$15,000,
39 except that an officer or employee who:

40 (1) on the effective date of P.L. , c. (C.)(pending before
41 the Legislature as this bill), or upon the expiration of a collective
42 negotiations agreement or contract of employment applicable to that
43 officer or employee in effect on that date has accrued supplemental
44 compensation based upon accumulated unused sick leave shall,
45 upon retirement, be eligible to receive for any unused leave not
46 more than the amount so accumulated or not more than \$15,000,
47 whichever is greater; or

48 (2) becomes an officer or employee after the effective date of

1 P.L. , c. (C.)(pending before the Legislature as this bill) and
2 has previously accrued supplemental compensation based upon
3 accumulated unused sick leave shall, upon retirement, be eligible to
4 receive for any unused leave not more than the amount so
5 previously accumulated or not more than \$15,000, whichever is
6 greater.

7 Supplemental compensation shall be payable only at the time of
8 retirement from a State-administered or locally-administered
9 retirement system based on the leave credited on the date of
10 retirement.

11 As used in this section, "officer or employee" means an elected
12 official; or a person appointed by the Governor with the advice and
13 consent of the Senate, or appointed by the Governor to serve at the
14 pleasure of the Governor only during his or her term of office; or a
15 person appointed by an elected public official or elected governing
16 body of a political subdivision of the State, with the specific
17 consent or approval of the elected governing body of the political
18 subdivision that is substantially similar in nature to the advice and
19 consent of the Senate for appointments by the Governor of the State
20 as that similarity is determined by the elected governing body and
21 set forth in an adopted ordinance or resolution, pursuant to
22 guidelines or policy that shall be established by the Local Finance
23 Board in the Department of Community Affairs, but not including a
24 person who is employed or appointed in the regular or normal
25 course of employment or appointment procedures and consented to
26 or approved in a general or routine manner appropriate for and
27 followed by the political subdivision, or the agency, authority or
28 instrumentality of a subdivision, or a person who holds a
29 professional license or certificate to perform and is performing as a
30 certified health officer, tax assessor, tax collector, municipal
31 planner, chief financial officer, registered municipal clerk,
32 construction code official, licensed uniform subcode inspector,
33 qualified purchasing agent, or certified public works manager.

34

35 44. (New section) Notwithstanding any law, rule or regulation
36 to the contrary, a board of education, or an agency or
37 instrumentality thereof, shall not pay supplemental compensation to
38 any officer or employee for accumulated unused sick leave in an
39 amount in excess of \$15,000, except that an officer or employee
40 who:

41 (1) on the effective date of P.L. , c. (C.)(pending before
42 the Legislature as this bill), or upon the expiration of a collective
43 negotiations agreement or contract of employment applicable to that
44 officer or employee in effect on that date has accrued supplemental
45 compensation based upon accumulated unused sick leave shall,
46 upon retirement, be eligible to receive for any unused leave not
47 more than the amount so accumulated or not more than \$15,000,
48 whichever is greater; or

1 (2) becomes an officer or employee after the effective date of
2 P.L. , c. (C.)(pending before the Legislature as this bill) and
3 has previously accrued supplemental compensation based upon
4 accumulated unused sick leave shall, upon retirement, be eligible to
5 receive for any unused leave not more than the amount so
6 previously accumulated or not more than \$15,000, whichever is
7 greater.

8 Supplemental compensation shall be payable only at the time of
9 retirement from a State-administered or locally-administered
10 retirement system based on the leave credited on the date of
11 retirement.

12 As used in this section, "officer or employee" means an elected
13 official; or a person appointed by the Governor with the advice and
14 consent of the Senate, or appointed by the Governor to serve at the
15 pleasure of the Governor only during his or her term of office; or a
16 person appointed by an elected public official or elected governing
17 body of the political subdivision, with the specific consent or
18 approval of the elected governing body of the political subdivision
19 that is substantially similar in nature to the advice and consent of
20 the Senate for appointments by the Governor of the State as that
21 similarity is determined by the elected governing body and set forth
22 in an adopted resolution, pursuant to guidelines or policy that shall
23 be established by the Department of Education, but not including a
24 person who is employed or appointed in the regular or normal
25 course of employment or appointment procedures and consented to
26 or approved in a general or routine manner appropriate for and
27 followed by the political subdivision, or the agency or
28 instrumentality thereof.

29
30 45. (New section) Notwithstanding any law or any rule or
31 regulation to the contrary, an officer or employee of a political
32 subdivision of the State, or an agency, authority, or instrumentality
33 of a subdivision, that has not adopted the provisions of Title 11A,
34 Civil Service, of the New Jersey Statutes, who does not take
35 vacation leave that accrues on or after the effective date of P.L. ,
36 c. (C.)(pending before the Legislature as this bill), or on or
37 after the date on which the person becomes an officer or employee,
38 in a given year because of business demands shall be granted that
39 accrued leave only during the next succeeding year.

40 However, vacation leave not taken in a given year because of
41 duties directly related to a state of emergency declared by the
42 Governor may accumulate at the discretion of the appointing
43 authority until, pursuant to a plan established by the officer or
44 employee's appointing authority, the leave is used or the employee
45 or officer is compensated for that leave, which shall not be subject
46 to collective negotiation or collective bargaining.

47 A person who (1) is an officer or employee on the effective date
48 of P.L. , c. (C.)(pending before the Legislature as this bill),

1 or (2) becomes an officer or employee after that effective date, and
2 has previously accrued vacation leave shall be eligible and shall be
3 permitted to retain and use that accrued vacation leave.

4 As used in this section, "officer or employee" means an elected
5 official; or a person appointed by the Governor with the advice and
6 consent of the Senate, or appointed by the Governor to serve at the
7 pleasure of the Governor only during his or her term of office; or a
8 appointed by an elected public official or elected governing body of
9 a political subdivision of the State, with the specific consent or
10 approval of the elected governing body of the political subdivision
11 that is substantially similar in nature to the advice and consent of
12 the Senate for appointments by the Governor of the State as that
13 similarity is determined by the elected governing body and set forth
14 in an adopted ordinance or resolution, pursuant to guidelines or
15 policy that shall be established by the Local Finance Board in the
16 Department of Community Affairs, but not including a person who
17 is employed or appointed in the regular or normal course of
18 employment or appointment procedures and consented to or
19 approved in a general or routine manner appropriate for and
20 followed by the political subdivision, or the agency, authority or
21 instrumentality of a subdivision, or a person who holds a
22 professional license or certificate to perform and is performing as a
23 certified health officer, tax assessor, tax collector, municipal
24 planner, chief financial officer, registered municipal clerk,
25 construction code official, licensed uniform subcode inspector,
26 qualified purchasing agent, or certified public works manager.

27
28 46. (New section) Notwithstanding any law, rule or regulation
29 to the contrary, an officer or employee of a board of education, or
30 an agency or instrumentality thereof, who does not take vacation
31 leave that accrues on or after the effective date of P.L. ,
32 c. (C.) (pending before the Legislature as this bill), or on or
33 after the date on which the person becomes an officer or employee,
34 in a given year because of business demands shall be granted that
35 accrued leave only during the next succeeding year.

36 However, vacation leave not taken in a given year because of
37 duties directly related to a state of emergency declared by the
38 Governor may accumulate at the discretion of the appointing
39 authority until, pursuant to a plan established by the officer or
40 employee's appointing authority, the leave is used or the employee
41 or officer is compensated for that leave, which shall not be subject
42 to collective negotiation or collective bargaining.

43 A person who (1) is an officer or employee on the effective date
44 of P.L. , c. (C.)(pending before the Legislature as this bill),
45 or (2) becomes an officer or employee after that effective date, and
46 has previously accrued vacation leave shall be eligible and shall be
47 permitted to retain and use that accrued vacation leave.

1 As used in this section, “officer or employee” means an elected
2 official; or a person appointed by the Governor with the advice and
3 consent of the Senate, or appointed by the Governor to serve at the
4 pleasure of the Governor only during his or her term of office; or a
5 person appointed by an elected public official or elected governing
6 body of the political subdivision, with the specific consent or
7 approval of the elected governing body of the political subdivision
8 that is substantially similar in nature to the advice and consent of
9 the Senate for appointments by the Governor of the State as that
10 similarity is determined by the elected governing body and set forth
11 in an adopted resolution, pursuant to guidelines or policy that shall
12 be established by the Department of Education, but not including a
13 person who is employed or appointed in the regular or normal
14 course of employment or appointment procedures and consented to
15 or approved in a general or routine manner appropriate for and
16 followed by the political subdivision, or the agency or
17 instrumentality thereof.

18

19 47. Nothing contained in sections 42 through 46 of P.L. ,
20 c. (C.) (pending before the Legislature as this bill) shall be
21 construed as affecting the provisions of any collective bargaining
22 agreement or individual contract of employment in effect on that
23 act’s effective date.

24

25 48. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended
26 to read as follows:

27 36. Notwithstanding the provisions of any other law to the
28 contrary, [a municipality, or a municipal authority created by a
29 municipality pursuant to P.L.1946, c.138 (C.40:14A-1 et seq.) or
30 P.L.1957, c.183 (C.40:14B-1 et seq.), or a county college] an
31 employer other than the State which participates in the State Health
32 Benefits Program, established pursuant to P.L.1961, c.49 (C.52:14-
33 17.25 et seq.), may allow any employee who is eligible for other
34 health care coverage to waive coverage under the State Health
35 Benefits Program to which the employee is entitled by virtue of
36 employment with the [municipality, the municipal authority or the
37 county college] employer. The waiver shall be in such form as the
38 Director of the Division of Pensions and Benefits shall prescribe
39 and shall be filed with the division. After such waiver has been
40 filed and for so long as that waiver remains in effect, no premium
41 shall be required to be paid by the [municipality, the municipal
42 authority, or the county college as the case may be,] employer for
43 the employee or the employee’s dependents. Not later than the
44 180th day after the date on which the waiver is filed, the division
45 shall refund to the [municipality, the municipal authority or the
46 county college] employer the amount of any premium previously
47 paid by the [municipality, the municipal authority or the county

1 college] employer with respect to any period of coverage which
2 followed the filing date. In consideration of filing such a waiver, [a
3 municipality, a municipal authority or a county college] an
4 employer may pay to the employee annually an amount, to be
5 established in the sole discretion of the [municipality, the municipal
6 authority or the county college] employer, which shall not exceed
7 50% of the amount saved by the [municipality, the municipal
8 authority or the county college] employer because of the
9 employee's waiver of coverage. An employee who waives
10 coverage shall be permitted to immediately resume coverage if the
11 employee ceases to be [covered through the employee's spouse]
12 eligible for other health care coverage for any reason, including, but
13 not limited to, the retirement or death of the spouse or divorce. An
14 employee who resumes coverage shall repay, on a pro rata basis,
15 any amount received from the [municipality, the municipal
16 authority or the county college] employer which represents an
17 advance payment for a period of time during which coverage is
18 resumed. An employee who wishes to resume coverage shall notify
19 the [municipality, the municipal authority or the county college]
20 employer in writing and file a declaration with the division, in such
21 form as the director of the division shall prescribe, that the waiver is
22 revoked. The decision of [a municipality, a municipal authority or
23 a county college] an employer to allow its employees to waive
24 coverage and the amount of consideration to be paid therefor shall
25 not be subject to the collective bargaining process.

26 (cf: P.L.2003, c.3, s.2)

27

28 49. R.S.19:3-5 is amended to read as follows:

29 19:3-5. No person shall hold at the same time more than one of
30 the following offices: elector of President and Vice-President of the
31 United States, member of the United States Senate, member of the
32 House of Representatives of the United States, member of the
33 Senate or of the General Assembly of this State, county clerk,
34 register, surrogate or sheriff.

35 No person shall hold the office of member of the Senate or the
36 General Assembly of this State and, at the same time, hold any
37 other elective public office in this State, except that any person who
38 holds the office of member of the Senate or the General Assembly
39 and, at the same time, holds any other elective public office on the
40 effective date specified in P.L. _____, c. _____ (C. _____)(pending before
41 the Legislature as this bill) may continue to hold the office of
42 member of the Senate or the General Assembly, and may hold the
43 other elective public office at the same time if service in the Senate
44 or the General Assembly and the other elective office are
45 continuous following the effective date specified in P.L. _____, c.
46 (pending before the Legislature as this bill).

47 No person shall be elected an elector of President and Vice-

1 President of the United States unless he shall possess the
2 qualifications of a legal voter of the State, shall be of the age of 25
3 years or upwards and shall have been a citizen of the United States
4 **[7]** seven years next preceding such election.

5 No person shall be elected a member of the House of
6 Representatives, or an elector of President and Vice-President who
7 shall hold any office of trust or profit under the United States.

8 (cf: P.L.1971, c.2, s.9)

9

10 50. N.J.S.40A:9-4 is amended to read as follows:

11 40A:9-4. (1) It shall be **[lawful]** unlawful for a person to hold
12 simultaneously an elective county office and an elective municipal
13 office.

14 (2) It shall be lawful for a member of the Legislature of the State
15 to hold simultaneously any **[elective or]** appointive office or
16 position in county or municipal government.

17 (3) Nothing contained in this section shall be deemed to prevent
18 the incumbent of any office from abstaining from voting in any
19 matter in which **[he]** the incumbent believes he or she has a
20 conflict of duty or of interest, nor to prevent a challenge of a right
21 to vote on that account under the principles of the common law or
22 any statute.

23 (4) a. **[Nothing herein contained shall be deemed to repeal or**
24 **supersede any statute prohibiting the dual holding of offices or**
25 **positions]** (Deleted by amendment, P.L. , c.)(pending before
26 the Legislature as this bill).

27 b. **[This section shall apply to persons now holding elective**
28 **offices or positions with the counties and municipalities or now**
29 **-serving as members of the Legislature of the State]** (Deleted by
30 amendment, P.L. , c.)(pending before the Legislature as this
31 bill).

32 c. For the purposes of this section the term "elective office"
33 shall mean an office to which an incumbent is elected by the vote of
34 the general electorate.

35 (5) Notwithstanding the provision of paragraph (1) of this
36 section, a person who, on the effective date specified in P.L. , c.
37 (C.) (pending before the Legislature as this bill), holds
38 simultaneously an elective county office and an elective municipal
39 office may continue to hold the elective offices simultaneously if
40 service in those elective offices is continuous following the
41 effective date specified in P.L. , c. (C.)(pending before
42 the Legislature as this bill).

43 (cf: N.J.S.40A:9-4)

44

45 51. (New section) a. For elective public office other than as
46 provided in R.S.19:3-5 or N.J.S.40A:9-4, a person elected to public
47 office in this State shall not hold simultaneously any other elective

1 public office.

2 b. Notwithstanding the provision of subsection a. of this section,
3 a person who holds simultaneously more than one elective public
4 office on the effective date specified in P.L. , c. (C.)(pending
5 before the Legislature as this bill) may continue to hold the elective
6 public offices simultaneously if service in those elective public
7 offices is continuous following the effective date specified in
8 P.L. , c. (C.) (pending before the Legislature as this bill).
9

10 52. This act shall take effect on the 30th day after the date of
11 enactment, except that sections 1 through 19 shall take effect on the
12 July 1, 2007, section 20 shall take effect January 1, 2008 and
13 sections 49, 50, and 51 shall take effect February 1, 2008, but the
14 State may take such anticipatory administrative action in advance
15 thereof as shall be necessary for the implementation of this act.
16

17

18

STATEMENT

19

20 This bill implements certain of the December 1, 2006
21 recommendations of the Joint Legislative Committee on Public
22 Employee Benefits Reform.

23 Sections 1-19 These sections of the bill establish a Defined
24 Contribution Retirement Program, the design of which would be
25 one that is permitted for governmental plans under the federal
26 Internal Revenue Code as determined by the State Treasurer. The
27 following persons will be eligible and must participate in the
28 retirement program:

29 (1) A person who commences service on or after the effective
30 date in an elective public office of this State or of a political
31 subdivision thereof, except that it will not include a person who
32 holds elective public office on the effective date of this bill and is
33 enrolled in the Public Employees' Retirement System (PERS) while
34 that person continues to hold that elective public office without a
35 break in service;

36 (2) A person who commences service on or after the effective
37 date in an employment, office or position of the State or of a
38 political subdivision thereof, or an agency, board, commission,
39 authority or instrumentality of the State or of a subdivision,
40 pursuant to an appointment by the Governor that requires the advice
41 and consent of the Senate, or pursuant to an appointment by the
42 Governor to serve at the pleasure of the Governor only during his or
43 her term of office. This paragraph will not be deemed to include a
44 person otherwise eligible for membership in the State Police
45 Retirement System or the Judicial Retirement System.

46 (3) A person who commences service on or after the effective
47 date of this section in an employment, office or position in a
48 political subdivision of the State, or an agency, board, commission,

1 authority or instrumentality of a subdivision, pursuant to an
2 appointment by an elected public official or elected governing
3 body, that requires the specific consent or approval of the elected
4 governing body of the political subdivision that is substantially
5 similar in nature to the advice and consent of the Senate for
6 appointments by the Governor of the State as that similarity is
7 determined by the elected governing body and set forth in an
8 adopted ordinance or resolution, pursuant to guidelines or policy
9 established by the Local Finance Board in the Department of
10 Community Affairs or the Department of Education, as appropriate
11 to the elected governing body. This paragraph will not be deemed
12 to include a person otherwise eligible for membership in the
13 Teachers' Pension and Annuity Fund or the Police and Firemen's
14 Retirement System, or those who are employed or appointed in the
15 regular or normal course of employment or appointment procedures
16 and consented to or approved in a general or routine manner
17 appropriate for and followed by the political subdivision, or those
18 who hold a professional license or certificate to perform and are
19 performing as a certified health officer, tax assessor, tax collector,
20 municipal planner, chief financial officer, registered municipal
21 clerk, construction code official, licensed uniform subcode
22 inspector, qualified purchasing agent, or certified public works
23 manager.

24 (4) A person who is granted a pension or retirement allowance
25 on or after the effective date under any pension fund or retirement
26 system established under the laws of this State and elects to
27 participate pursuant to section 1 of P.L.1977, c.171 (C.43:3C-3)
28 upon being elected to public office.

29 No person will be eligible to participate in the retirement
30 program with respect to any public employment, office, or position
31 if: the base salary of that employment, office, or position is less
32 than \$1,500 per year; the person is, on the basis of service in that
33 employment, office, or position, eligible for membership or enrolled
34 as a member of another State or locally-administered pension
35 program, fund, or retirement system established under the laws of
36 this State, except as otherwise permitted in the bill; the person is
37 receiving a benefit as a retiree from any other State or locally-
38 administered pension fund or retirement system established under
39 the laws of this State, except as provided in section 1 of P.L.1977,
40 c.171 (C.43:3C-3); or the person is an officer or employee of a
41 political subdivision or board of education who is ineligible for
42 membership in the Public Employees' Retirement System pursuant
43 to section 20 of this bill.

44 A person eligible and required to participate in the defined
45 contribution program whose base salary is less than \$5,000 may
46 elect to waive participation. Service credited to a participant would
47 not be recognized as service credit to determine eligibility for
48 employer-paid health care benefits.

1 A program participant would contribute 5% of the participant's
2 base salary to the defined contribution program, but will have the
3 option to make additional contributions as permitted by the federal
4 Internal Revenue Code.

5 An employer would contribute 3% of the employee's base salary.
6 Employer contributions would be vested in a participant after the
7 participant commences the second year of employment unless the
8 participant, at the time of initial employment, either (1) participates
9 in a program substantially similar to the retirement program, or (2)
10 is a member of another State-administered pension fund or
11 retirement system.

12 The bill establishes the Defined Contribution Retirement
13 Program Board in but not of the Division of Pensions and Benefits
14 in the Department of the Treasury. The board would be composed
15 of five members: the Director of the Division of Pensions and
16 Benefits, or a designee; the Director of the Division of Investment
17 or a designee; the Commissioner of the Department of Banking and
18 Insurance, or a designee; the Director of the Office of Management
19 and Budget, or a designee; and a person appointed by the Director
20 of the Division of Pensions and Benefits who is an active
21 participant or retiree of the Defined Contribution Retirement
22 Program. In order to expedite implementation of this program, the
23 current third party administrator for the New Jersey State
24 Employees Deferred Compensation Program may be used as the
25 initial provider for a certain period of time. After this initial
26 contract, the board would select a provider through the competitive
27 bidding process.

28 Participants in the defined contribution program would be
29 allowed to allocate their contributions and the contributions of their
30 employer into investment alternatives as determined by the board.

31 The defined contribution retirement program, under a group
32 contract or contracts, will provide life insurance and the option of
33 obtaining disability insurance benefits for all participants on a basis
34 to be determined by the State Treasurer. The State Treasurer would
35 be authorized and directed to purchase from one or more insurance
36 companies this group life insurance and disability benefit coverage.
37 A life insurance company would have to meet certain criteria in
38 order to provide coverage under the provisions of this bill.

39 The benefit under a group life insurance contract would be an
40 amount equal to one and one-half the base annual salary of the
41 participant, except that in the event of death after retirement, the
42 amount payable would be 3/16 of the participant's base annual
43 salary, as defined. The disability benefit provided would be in an
44 amount equal to 60% of the participant's base monthly salary,
45 reduced by periodic benefits to which the participant may be
46 entitled during the period of total disability.

1 Service credit earned in the Defined Contribution Retirement
2 Program is excluded from service required for employer-paid health
3 care benefits in retirement.

4 These sections would take effect on July 1, 2007.

5 Section 20 This section of the bill provides that a person
6 performing professional services for a political subdivision of this
7 State or of a board of education, or of any agency, authority or
8 instrumentality thereof, under a professional services contract will
9 not be eligible for membership in the Public Employees' Retirement
10 System (PERS). While a person performing a professional services
11 contract on the specified effective date for this section after
12 enactment will continue to accrue service credit during the term of a
13 current contract even if the contract by its terms does not
14 specifically provide for membership in the retirement system, the
15 person will no longer accrue service credit for the performance of
16 those services after the contract expires. Also, no renewal,
17 extension, modification, or other agreement or action to continue
18 any professional services contract in effect on that specified
19 effective date beyond its current term will have the effect of
20 continuing the membership or accrual of service credit of a person
21 in the PERS on the basis of performance of the contract.

22 The section also provides that a person who performs
23 professional services for a political subdivision of this State or of a
24 board of education, or of any agency, authority or instrumentality
25 thereof, will not be eligible, on the basis of performance of those
26 professional services, for membership in the Public Employees'
27 Retirement System, if the person meets the definition of
28 independent contractor as set forth in regulation or policy of the
29 federal Internal Revenue Service for the purposes of the Internal
30 Revenue Code. Such a person who is a member of the retirement
31 system on the specified effective date for this section after
32 enactment will not accrue service credit on the basis of that
33 performance following the expiration of an agreement or contract in
34 effect on that effective date. This provision will not affect an
35 agreement or contract of employment in effect on that effective
36 date, whether or not the agreement or contract specifically provides
37 by its terms for membership in the retirement system. No renewal,
38 extension, modification, or other agreement or action to continue
39 any such agreement or contract in effect on that effective date
40 beyond its current term will have the effect of continuing the
41 membership of a person in the retirement system or continuing the
42 accrual of service credit on the basis of performance of the
43 agreement or contract.

44 As used in this provision, the term "professional services" will
45 have the meaning set forth in section 2 of P.L.1971, c.198
46 (C.40A:11-2)

47 This section would take effect on January 1, 2008.

1 Section 21 This section of the bill requires the Division of
2 Pensions and Benefits to investigate increases in compensation
3 reported for credit in the TPAF, the PERS, the PFRS, the SPRS, and
4 the JRS that exceed the reasonably anticipated annual compensation
5 increases for members of each retirement system. When a violation
6 of the law concerning the definition of compensation is suspected, it
7 will be referred to the system's board of trustees for further action.

8 This section would take effect on the 30th day after the bill's
9 enactment.

10 Section 22 This section of the bill closes the Workers
11 Compensation Judges Part of the PERS to new members. The
12 Workers Compensation Judges Part was added to PERS in 2001.
13 All new workers compensation judges will become members of the
14 defined contribution retirement program established by this bill.

15 This section would take effect on the 30th day after the bill's
16 enactment.

17 Sections 23-27 These sections of the bill remove language from
18 existing law that permits the State Treasurer to reduce the amount
19 of normal contributions needed to fund the various State-
20 administered retirement systems by the amount of excess valuation
21 assets. These sections pertain to contributions to the TPAF, the
22 JRS, the PERS, the PFRS, and the SPRS.

23 These sections would take effect on the 30th day after the bill's
24 enactment.

25 Section 28 This section of the bill requires the TPAF, the JRS,
26 the Prison Officers' Pension Fund, the PERS, the Consolidated
27 Police and Firemen's Pension Fund, the PFRS, and the SPRS to use
28 consistent and generally-accepted actuarial standards, as established
29 by the Governmental Accounting Standards Board or its successor,
30 for the purpose of determining fund asset values, obligations and
31 annual employer contributions. Any modification of the
32 assumptions or actuarial methodology at the direction of the State
33 that changes asset values, obligations or annual contributions must
34 require public disclosure prior to adoption, including a financial
35 impact analysis.

36 This section would take effect on the 30th day after the bill's
37 enactment.

38 Section 29-30 These sections amend current law to exclude
39 service credit earned in the Defined Contribution Retirement
40 Program from service required for employer-paid health care
41 benefits in retirement.

42 These sections would take effect on the 30th day after the bill's
43 enactment.

44 Section 31 This section of the bill requires the State Health
45 Benefits Commission to ensure that every managed care contract
46 purchased by the commission on or after the effective date provide
47 benefits under the SHBP managed care plans that include a disease
48 and chronic care management plan for specified conditions, meeting

1 nationally recognized accreditation standards and including
2 specified outcome measures and objectives for disease and chronic
3 care management.

4 This section would take effect on the 30th day after the bill's
5 enactment.

6 Sections 32-40 These sections of the bill change the rate of
7 interest that may be charged for a pension loan requested on or after
8 the effective date by a member of the PERS, the TPAF, the PFRS,
9 the JRS, and the SPRS from a fixed four percent per year to a
10 commercially reasonable rate as required by the Internal Revenue
11 Code. This interest rate would be determined by the State Treasurer
12 on the effective date of this bill and on January 1 of each calendar
13 year thereafter. The bill allows the Division of Pensions and
14 Benefits to charge an administrative fee, as determined by the State
15 Treasurer, for any loan requested after the effective date of the bill.

16 These sections would take effect on the 30th day after the bill's
17 enactment.

18 Section 41 This section supplements current law to provide
19 retirement system members with two rights that are required by the
20 Internal Revenue Code for qualified governmental plans. This
21 section provides that, upon termination of a retirement system, non-
22 vested members become vested as to their contribution, and that
23 retirement system participants have the ability to begin receiving
24 benefits after they attain age 70½.

25 Sections 42-44 At present, the law limits to \$15,000 the
26 maximum amount that may be paid to a State employee for
27 accumulated unused sick leave when the employee retires.
28 However, there are currently no such limits with regard to local
29 government and school board officers or employees. These sections
30 of the bill provide that supplemental compensation for accumulated
31 unused sick leave payable to any local government or school district
32 officer upon retirement could not exceed \$15,000. A person who
33 on the effective date of this bill, or upon the expiration of a
34 collective negotiations agreement or contract of employment
35 applicable to that officer or employee in effect on that date has
36 accrued supplemental compensation based upon accumulated
37 unused sick leave will, upon retirement, be eligible to receive for
38 any unused leave not more than the amount so accumulated or not
39 more than \$15,000, whichever is greater. A person who becomes
40 an officer or employee after the effective date and has previously
41 accrued supplemental compensation based upon accumulated
42 unused sick leave will, upon retirement, be eligible to receive for
43 any unused leave not more than the amount so previously
44 accumulated or not more than \$15,000, whichever is greater.

45 The bill also provides that supplemental compensation will be
46 payable only at the time of retirement from a State-administered or
47 locally-administered retirement system based on the leave credited
48 on the date of retirement.

1 For the purpose of these sections, the bill defines “officer or
2 employee” to mean an elected official or a person appointed by the
3 Governor with the advice and consent of the Senate, or appointed
4 by the Governor to serve at the pleasure of the Governor only
5 during his or her term of office, or appointed by an elected public
6 official or elected governing body of a political subdivision of the
7 State, with the specific consent or approval of the elected governing
8 body of the political subdivision that is substantially similar in
9 nature to the advice and consent of the Senate for appointments by
10 the Governor of the State as that similarity is determined by the
11 elected governing body and set forth in an adopted ordinance or
12 resolution, pursuant to guidelines or policy established by the Local
13 Finance Board in the Department of Community Affairs or the
14 Department of Education, as appropriate to the elected governing
15 body, but will not include a person who is employed or appointed in
16 the regular or normal course of employment or appointment
17 procedures and consented to or approved in a general or routine
18 manner appropriate for and followed by the political subdivision or
19 a person who holds a professional license or certificate to perform
20 and is performing as a certified health officer, tax assessor, tax
21 collector, municipal planner, chief financial officer, registered
22 municipal clerk, construction code official, licensed uniform
23 subcode inspector, qualified purchasing agent, or certified public
24 works manager.

25 These sections would take effect on the 30th day after the bill’s
26 enactment.

27 Sections 45-46 These sections of the bill provide that local
28 government and school district officers will be allowed to carry
29 forward unused vacation leave for only one successive year, except
30 that vacation leave that could not be used because of an emergency
31 declared by the Governor will accumulate subject to certain limits.
32 Vacation leave accrued as of the effective date of the bill or prior to
33 the point a person becomes an officer or employee could be retained
34 and used in the future.

35 For the purpose of these sections, the bill defines “officer or
36 employee” to mean an elected official or a person appointed by the
37 Governor with the advice and consent of the Senate, or appointed
38 by the Governor to serve at the pleasure of the Governor only
39 during his or her term of office, or appointed by an elected public
40 official or elected governing body of a political subdivision of the
41 State, with the specific consent or approval of the elected governing
42 body of the political subdivision that is substantially similar in
43 nature to the advice and consent of the Senate for appointments by
44 the Governor of the State as that similarity is determined by the
45 elected governing body and set forth in an adopted ordinance or
46 resolution, pursuant to guidelines or policy established by the
47 Department of Community Affairs or the Department of Education,
48 as appropriate to the elected governing body, but will not include a

1 person who is employed or appointed in the regular or normal
2 course of employment or appointment procedures and consented to
3 or approved in a general or routine manner appropriate for and
4 followed by the political subdivision or a person who holds a
5 professional license or certificate to perform and is performing as a
6 certified health officer, tax assessor, tax collector, municipal
7 planner, chief financial officer, registered municipal clerk,
8 construction code official, licensed uniform subcode inspector,
9 qualified purchasing agent, or certified public works manager.

10 These sections would take effect on the 30th day after the bill's
11 enactment.

12 Section 47 This section states that the provisions of sections 42
13 through 46 will not be construed as affecting the provisions of any
14 collective bargaining agreement or individual contract of
15 employment in effect on bill's effective date.

16 Section 48 This section of the bill extends a current
17 authorization to all local public employers to provide financial
18 incentives to employees who waive coverage under the SHBP if the
19 employee is eligible for other health care coverage. Under current
20 law, this option has been available to municipalities since 1995, to
21 municipal authorities since 2001, and to county colleges since 2003.
22 The refund amount is currently limited to no more than 50% of the
23 amount saved by the employer through the employee's waiver of
24 coverage.

25 This section would take effect on the 30th day after the bill's
26 enactment.

27 Sections 49-51 These sections prohibit elected officials,
28 including members of the Legislature and county and municipal
29 elected officials, from simultaneously holding another elective
30 public office. The prohibition will not apply to an elected official
31 who simultaneously holds more than one elective public office on
32 the effective date, as long as service in the offices held is
33 continuous following the sections' effective date of February 1,
34 2008.

35 In addition to the provisions in the bill, the Joint Committee
36 made the following recommendations.

37 The Joint Committee recommended a continued moratorium on
38 early retirement incentive programs, except in cases of
39 regionalization and consolidation initiatives resulting in costs
40 savings, because such programs have proven costly to the State and
41 to local public employers. Public employee early retirement
42 incentive programs have provided limited, short-term savings in
43 exchange for large, long-term retirement system liabilities. The
44 cost to an employer for providing a retirement incentive program
45 can be significant.

46 Benefit enhancements in State-administered retirement systems
47 have eroded the State's fiscal health and created a benefit structure
48 that the State cannot currently afford. The process of enacting

1 benefit enhancements does not include an informed debate on the
2 actual costs of the change and, far too often, the taxpayers' interests
3 are absent from this debate. Benefit enhancements enacted since
4 1999 will cost State and local government employers over \$6.8
5 billion. Therefore, the Joint Committee recommended a continued
6 moratorium on benefit enhancement legislation.

7 The Joint Committee recommended strict adherence to the legal
8 definition of "policeman" and "fireman." The Joint Committee
9 made this recommendation to control costs in the Police and
10 Firemen's Retirement System and to ensure the integrity of that
11 system in providing benefits only to those public employees who
12 serve as law enforcement officers and firefighters.

May-10-07 Governor Signs Public Employee Benefit Reform Legislation

FOR IMMEDIATE RELEASE:
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FOR MORE INFORMATION:
Press Office - 609-777-2600

GOVERNOR SIGNS PUBLIC EMPLOYEE BENEFIT REFORM LEGISLATION

TRENTON – Governor Jon S. Corzine has signed legislation cracking down on abuses of the public employee benefit system. The bipartisan legislation, which emerged from this summer’s special session on property taxes, is designed to ensure the system serves career public employees rather than political appointees.

“Though I believe there are important reforms that still need to be undertaken, such as a ban on dual-officeholding, this legislation marks an important step,” Governor Corzine said. “Combined with the recently negotiated contracts with our public workers, this bill will help protect the integrity of the retirement system and give the public faith that the benefits we provide to our public workers are accounted for honestly.”

The bill, which contains many of the recommendations put forward by the Joint Legislative Committee on Pension Benefits and Reform, removes elected and appointed public officials from the public employee system. It establishes of a 401(k)-style defined contribution program for all newly elected and appointed officials and excludes all professional service contractors from membership in the Public Employee Retirement System (PERS).

“This is an important first step in providing long-term cost-savings and limiting abuses of the state-administered pension systems. This is just one of the many long-term control measures that we have implemented to help stem the growth of property taxes in the future and provide relief for residents down the road,” said Senate President Richard J. Codey (D-Essex), a Senate sponsor.

The bill also provides important reforms to the state health benefits program. For instance, it caps sick leave payments at \$15,000 for all current elected and appointed officials at all levels of government.

“Throughout the Legislature’s special session on property taxes, I said that if we’re going to be serious about cutting the cost of government in New Jersey, we had to first look to our own house,” said Senator Karcher, (D-Monmouth, Mercer), who also sponsored the bill. “With today’s bill signing, we’re showing our commitment to the taxpayers of New Jersey, and setting a good example with fair and reasonable benefits for elected and appointed officials. Ultimately, our efforts to control runaway perks will mean savings for the taxpayers of the Garden State.”

Governor Corzine also recently announced a new contract with public employees that contained historic employee pension and healthcare contributions, raised the retirement age for new hires and created a defined contribution plan for public employees on earnings in excess of \$97,200. Legislation will be introduced shortly to codify the reforms contained in that contract in statute.

“This measure cuts out the entrenched core of abuse that has been corrupting our pension and benefits systems from within, giving the system the power to once again serve the career, rank-and-file employees for whom it was designed,” said Assemblywoman Nellie Pou (D-Passaic), one of two co-chairs of the Joint Legislative Committee on Public Employee Benefits Reform who sponsored the legislation in the Assembly.

“Today, we are proving that elected and appointed officials can talk the talk and walk the walk on benefits reform,” said Assemblyman Thomas P. Giblin (D-Essex), a member of the Joint Legislative Committee on Public Employee Benefits Reform and an Assembly sponsor.

The bill (S-17/A-21) was also sponsored in the Assembly by Assemblymembers O’Toole (R-Bergen, Essex, Passaic), Van Drew (D-Cape May, Atlantic, Cumberland), and Greenstein (D-Mercer, Middlesex).

The Governor has also signed the following bills:

SJR-51/AJR-121 (Doria, Kenny/Epps, Quigley, Prieto) – Designates Lincoln Highway Bridge as the “Shawn Carson and Robert Nguyen Memorial Bridge.”

A-2867/S-2091 (Cohen, Chivukula/Gill) – Revises trustee’s power to adjust principal and income under “Uniform Principal and Income Act of 2001”.