

43:15A-24.1

**LEGISLATIVE HISTORY CHECKLIST**  
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(PERS pension revaluation)

**NJSA:** 43:15A-24.1

**LAWS OF:** 1993 **CHAPTER:** 182

**BILL NO:** A2175

**SPONSOR(S)** Bagger

**DATE INTRODUCED:** January 11, 1993

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

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:** **ASSEMBLY:** June 10, 1993  
**SENATE:** June 21, 1993

**DATE OF APPROVAL:** July 9, 1993

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes  
**SENATE:** Yes

**FISCAL NOTE:** Yes

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** No

**HEARINGS:** No

KBG:pp

P.L.1993, CHAPTER 182, approved July 9, 1993  
1993 Assembly No. 2175

1 AN ACT concerning the funding of pension adjustment and health  
2 care benefits for retirees in the Public Employees' Retirement  
3 System and amending P.L.1990, c.6.  
4

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

7 1. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to  
8 read as follows:

9 2. Pension adjustment benefits for members and beneficiaries  
10 of the Public Employees' Retirement System provided by the  
11 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.)  
12 and premiums or periodic charges which the State is required to  
13 pay for benefits provided to retired State employees and their  
14 dependents under the "New Jersey State Health Benefits Program  
15 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be paid by the  
16 retirement system [from the contingent reserve fund] and shall be  
17 funded as employer obligations as provided in this section.  
18 Health care benefits for State employees and their dependents  
19 shall be funded and paid through a separate fund or trust of the  
20 retirement system in accordance with the requirements of  
21 subsection (h) of section 401 of the federal Internal Revenue  
22 Code (26 U.S.C. §401) or other fund or trust, established under  
23 the jurisdiction of the board of trustees, which shall receive  
24 contributions only to the extent that contributions cannot  
25 otherwise be made to a section 401 (h) [account] trust due to the  
26 requirements of [subsection (h) of section 401 of the federal  
27 Internal Revenue Code of 1986, 26 U.S.C. §401] the federal law.  
28 Any premium payments for retired participants shall first be a  
29 charge upon such other fund or trust and only secondarily on the  
30 assets set aside under [subsection (h) of section 401 of the federal  
31 Internal Revenue Code of 1986, 26 U.S.C. §401] the section 401(h)  
32 trust. The pension adjustment [benefits] and [premiums for]  
33 health care benefits for qualified retirees shall be funded as  
34 employer obligations [in a similar manner to that] by the same  
35 method provided by law for the funding of employer obligations  
36 for the basic retirement benefits provided by the retirement  
37 system. [The funding] Normal and accrued liability contribution  
38 rates for these benefits for active employees shall be determined  
39 for the 1990 valuation year and shall be phased in [as determined  
40 by the board of trustees after consultation with the Director of  
41 the Division of Pensions and the actuary, except that: a. any  
42 reduction in contributions from recognition of the full market  
43 value of the assets as of March 31, 1990 over the adjusted

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 book value of the assets written up by 60% of the excess of  
2 market value over adjusted book value as of March 31, 1990 in a  
3 fashion similar to that presented in the draft revision of the  
4 annual actuarial reports for the valuation periods ending March  
5 31, 1990 and March 31, 1991 submitted by the actuary on April  
6 27, 1992 shall be used to accelerate the funding of the liabilities  
7 for pension adjustment and health care benefits as follows: 70%  
8 of the State's portion of that amount shall be used to fund  
9 pension adjustment benefits and 30% to fund health care benefits  
10 and 100% of the other employers' portion of that amount shall be  
11 used to fund pension adjustment benefits, and b. (1)] so that the  
12 level of [funding] recognition of the full normal and accrued  
13 liability [contributions] contribution rates for the State [to cover  
14 the pension adjustment and health care benefits for current  
15 active employees upon their retirement] shall be [at least 48%]  
16 25.30% for valuation year 1990, 25.30% for valuation year 1991,  
17 and 34.50% for valuation year 1992, and for the other employers  
18 shall be 82.50% for valuation year 1990, 93% for valuation year  
19 1991, and 93% for valuation year 1992 [and 56% for valuation  
20 year 1993], and [(2) thereafter,] the [funding of the pension  
21 adjustment and health care benefits for active employees shall be  
22 phased in in a uniform manner which fully recognizes those  
23 liabilities within 11 years commencing with valuation year 1994]  
24 level of recognition shall be increased by 6% for each valuation  
25 year thereafter until the full normal and accrued liability  
26 contributions rates are fully recognized. The board of trustees  
27 shall determine the assumed percentage rate of increase applied  
28 to the cost of providing paid health benefits for retirees. The  
29 liability for pension adjustment benefits and for premiums or  
30 periodic charges for health care benefits for retired State  
31 employees and their dependents shall be included as a liability of  
32 the retirement system as of April 1, 1988.  
33 (cf: P.L.1992, c.41, s.16)

34 2. This act shall take effect immediately

#### 35 36 37 STATEMENT

38  
39 The purpose of this bill is to address a problem which has arisen  
40 as a result of the recently enacted pension revaluation law. This  
41 law provides for a further acceleration of the funding of pension  
42 adjustment benefits and post-retirement medical benefits for  
43 State employees who retire under the Public Employees'  
44 Retirement System (PERS) over and above the acceleration of  
45 the funding for these benefits from the increase in the  
46 recognition of market value of pension assets from 60% and to  
47 100% of the full market value in fiscal year 1992. This will result  
48 in dramatic increases in employer pension contributions for fiscal  
49 years 1994 and 1995. It will force the State to bear substantial  
50 pension contribution increases when its budget will again be  
51 severely limited in terms of resources.

52 This bill will smooth out the acceleration of funding for pension  
53 adjustment and post-retirement medical benefits by eliminating  
54 the two additional jumps in the acceleration mandated by the

- 1 original pension revaluation law. It will increase the rate of
- 2 acceleration of this funding in fiscal year 1995 and the full
- 3 liability for these benefits for active employees will be fully
- 4 recognized and included in the funding formula by 2003, one year
- 5 earlier than under the original law.
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 Adjusts revaluation of PERS.

1 book value of the assets written up by 60% of the excess of  
2 market value over adjusted book value as of March 31, 1990 in a  
3 fashion similar to that presented in the draft revision of the  
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12 level of [funding] recognition of the full normal and accrued  
13 liability [contributions] contribution rates for the State [to cover  
14 the pension adjustment and health care benefits for current  
15 active employees upon their retirement] shall be [at least 48%]  
16 25.30% for valuation year 1990, 25.30% for valuation year 1991,  
17 and 34.50% for valuation year 1992, and for the other employers  
18 shall be 82.50% for valuation year 1990, 93% for valuation year  
19 1991, and 93% for valuation year 1992 [and 56% for valuation  
20 year 1993], and [(2) thereafter,] the [funding of the pension  
21 adjustment and health care benefits for active employees shall be  
22 phased in in a uniform manner which fully recognizes those  
23 liabilities within 11 years commencing with valuation year 1994]  
24 level of recognition shall be increased by 6% for each valuation  
25 year thereafter until the full normal and accrued liability  
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48 in dramatic increases in employer pension contributions for fiscal  
49 years 1994 and 1995. It will force the State to bear substantial  
50 pension contribution increases when its budget will again be  
51 severely limited in terms of resources.

52 This bill will smooth out the acceleration of funding for pension  
53 adjustment and post-retirement medical benefits by eliminating  
54 the two additional jumps in the acceleration mandated by the

1 original pension revaluation law. It will increase the rate of  
2 acceleration of this funding in fiscal year 1995 and the full  
3 liability for these benefits for active employees will be fully  
4 recognized and included in the funding formula by 2003, one year  
5 earlier than under the original law.

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10 Adjusts revaluation of PERS.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2175

STATE OF NEW JERSEY

DATED: MAY 24, 1993

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2175.

Assembly Bill No. 2175 addresses a problem which arose from the recently enacted pension revaluation law. This law provides for a further acceleration of the funding of pension adjustment benefits and post-retirement medical benefits for State employees who retire under the Public Employees' Retirement System (PERS), over and above the acceleration of the funding for these benefits from the increase in the recognition of market value of pension assets from 60% and to 100% of the full market value in fiscal year 1992. This will result in dramatic increases in employer pension contributions for fiscal years 1994 and 1995 and force the State to bear substantial pension contribution increases.

This bill will level out the acceleration by eliminating the two additional jumps in the acceleration mandated by the original pension revaluation law. It will increase the rate of acceleration in fiscal year 1995 and the full liability for these benefits for active employees will be fully recognized and included in the funding formula by 2003, one year earlier than under the original law.

FISCAL IMPACT:

The Governor's Office and the Department of Treasury have estimated that the fiscal year 1994 pension contribution by the State would be \$34.3 million more without enactment of this bill.

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SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2175

STATE OF NEW JERSEY

DATED: JUNE 14, 1993

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2175.

Assembly Bill No. 2175 addresses a problem which arose from the recently enacted pension revaluation law. This law provides for a further acceleration of the funding of pension adjustment benefits and post-retirement medical benefits for State employees who retire under the Public Employees' Retirement System (PERS), over and above the acceleration of the funding for these benefits from the increase in the recognition of market value of pension assets from 60% and to 100% of the full market value in fiscal year 1992. This will result in dramatic increases in employer pension contributions for fiscal years 1994 and 1995 and force the State to bear substantial pension contribution increases.

This bill will level out the acceleration by eliminating the two additional jumps in the acceleration mandated by the original pension revaluation law. It will increase the rate of acceleration in fiscal year 1995 and the full liability for these benefits for active employees will be fully recognized and included in the funding formula by 2003, one year earlier than under the original law.

FISCAL IMPACT

The Governor's Office and the Department of the Treasury have estimated that the State's Fiscal Year 1994 contributions to fund the retirement system would be approximately \$34.3 million more if this bill is not enacted into law.



FISCAL NOTE TO  
ASSEMBLY, No. 2175  
STATE OF NEW JERSEY

DATED: July 13, 1993

Assembly Bill No. 2175 of 1993 revises the scheduled acceleration of the funding of the pension adjustment benefits and post-retirement medical benefits under the Public Employees' Retirement System (PERS). The current pension revaluation law provides for an acceleration of the recognition and funding of the pension adjustment benefits and post-retirement medical benefits to 48 percent for valuation year 1992 (FY 1994) and 56 percent for valuation year 1993 (FY 1995) and an additional 4.0 percent per year until valuation year 2004 (FY 2006). This bill will smooth out the acceleration of funding the pension adjustment and post-retirement medical benefits. This bill provides a funding level of 34.5 percent for valuation year 1991 (FY 1993) and valuation year 1992 (FY 1994) and then increases the funding level 6 percent per year until the full normal and accrued liability contribution rates are fully recognized in valuation year 2003 (FY 2005).

The Division of Pensions and Benefits estimates the FY 1994 State contribution to fund the retirement system will be \$148.4 million, or \$34.3 million less than the \$182.7 million required under current law. The division notes that this change will not affect local government employers.

The division estimates the FY 1995 State contribution will be \$178.7 million, or \$43.3 million less than the \$222.0 million required under current law.

The Office of Legislative Services concurs with the division's estimated savings during the first several years. The OLS notes that these savings, beginning in FY 1996, will begin to decrease and eventually the annual State contribution to fund the retirement system will be greater under this bill than the contribution would have been under current law.

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

LEGISLATIVE FISCAL ESTIMATE TO  
ASSEMBLY, No. 2175  
STATE OF NEW JERSEY

DATED: March 17, 1993

Assembly Bill No. 2175 of 1993 revises the scheduled acceleration of the funding of the pension adjustment benefits and post-retirement medical benefits under the Public Employees' Retirement System (PERS). The current pension revaluation law provides for an acceleration of the recognition and funding of the pension adjustment benefits and post-retirement medical benefits to 48 percent for valuation year 1992 (FY 1994) and 56 percent for valuation year 1993 (FY 1995) and an additional 4.0 percent per year until valuation year 2004 (FY 2006). This bill will smooth out the acceleration of funding the pension adjustment and post-retirement medical benefits. This bill provides a funding level of 34.5 percent for valuation year 1991 (FY 1993) and valuation year 1992 (FY 1994) and then increases the funding level 6.0 percent per year until the full normal and accrued liability contribution rates are fully recognized in valuation year 2003 (FY 2005).

The Office of Legislative Services notes that according to the most recent actuarial valuation of the retirement system, dated March 31, 1992, the State's contribution to fund the retirement system under the current phase-in schedule is \$182,750,000. The Governor's FY 1994 recommendation for this account is \$148,411,000, or \$34,339,000 less than the actuarial amount in anticipation of this legislation becoming law.

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

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