

18A:66-2

LEGISLATIVE HISTORY CHECKLIST
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(Municipal & school board joint
self-insurance)

NJSA: 18A:66-2

LAWS OF: 1992 CHAPTER: 53

BILL NO: S540

SPONSOR(S): Inverso and Littell

DATE INTRODUCED: March 12, 1992

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

AMENDED DURING PASSAGE: Yes Senate Committee substitute enacted
according to Governor's recommendations

DATE OF PASSAGE: ASSEMBLY: June 25, 1992 Re-enacted 6-30-92
SENATE: June 25, 1992 Re-enacted 6-30-92

DATE OF APPROVAL: June 30, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: Yes

974.90 New Jersey. Legislature. Senate. State Government Committee.
P418 Public hearing on "pension fund revaluation proposal,"
1992 held 2-13-92. Trenton, 1992.
KBG:pp

[SECOND REPRINT]

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 540

STATE OF NEW JERSEY

ADOPTED JUNE 15, 1992

Sponsored by Senators INVERSO, LITTELL,
Kyrillos, Assemblymen Bagger and Martin

1 **AN ACT** concerning the State-administered retirement systems
2 and the State Investment Council, revising various parts of the
3 statutory law, and repealing section 12 of P.L.1966, c.67.

4

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

7 1. N.J.S.18A:66-2 is amended to read as follows:

8 18A:66-2. As used in this article:

9 a. "Accumulated deductions" means the sum of all the
10 amounts, deducted from the compensation of a member or
11 contributed by or in behalf of the member, including interest
12 credited to January 1, 1956, standing to the credit of the
13 member's individual account in the annuity savings fund.

14 b. "Annuity" means payments for life derived from the
15 accumulated deductions of a member as provided in this article.

16 c. "Beneficiary" means any person receiving a retirement
17 allowance or other benefit as provided in this article.

18 d. "Compensation" means the contractual salary, for services
19 as a teacher as defined in this article, which is in accordance
20 with established salary policies of the member's employer for all
21 employees in the same position but shall not include individual
22 salary adjustments which are granted primarily in anticipation of
23 the member's retirement or additional remuneration for
24 performing temporary or extracurricular duties beyond the
25 regular school day or the regular school year.

26 e. "Employer" means the State, the board of education or any
27 educational institution or agency of or within the State by which
28 a teacher is paid.

29 f. "Final compensation" means the average annual
30 compensation for which contributions are made for the three
31 years of creditable service in New Jersey immediately preceding
32 the member's retirement or death, or it shall mean the average
33 annual compensation for New Jersey service for which
34 contributions are made during any three fiscal years of his or her
35 membership providing the largest possible benefit to the member
36 or the member's beneficiary.

37 g. "Fiscal year" means any year commencing with July 1, and
38 ending with June 30, next following.

39 h. "Pension" means payments for life derived from

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate floor amendments adopted June 18, 1992.

² Senate amendments adopted in accordance with Governor's
recommendations June 30, 1992.

1 appropriations made by the State or employers to the Teachers'
2 Pension and Annuity Fund.

3 i. "Annuity reserve" means the present value of all payments
4 to be made on account of any annuity or benefit in lieu of an
5 annuity, granted under the provisions of this article, computed on
6 the basis of such mortality tables recommended by the actuary as
7 the board of trustees adopts, with regular interest.

8 j. "Pension reserve" means the present value of all payments
9 to be made on account of any pension or benefit in lieu of a
10 pension granted to a member from the Teachers' Pension and
11 Annuity Fund, computed on the basis of such mortality tables
12 recommended by the actuary as the board of trustees adopts,
13 with regular interest.

14 k. "Present-entrant" means any member of the Teachers'
15 Pension and Annuity Fund who had established status as a
16 "present-entrant member" of said fund prior to January 1, 1956.

17 l. "Rate of contribution initially certified" means the rate of
18 contribution certified by the retirement system in accordance
19 with N.J.S.18A:66-29.

20 m. "Regular interest" shall mean [interest as] ²[the assumed
21 rate of return on investments of the assets of the retirement
22 system used to determine the present value of the liabilities of
23 the system, which rate shall bear a reasonable relationship to the
24 percentage rate of earnings on the assets based upon the market
25 value of the assets but shall not exceed the assumed percentage
26 rate of increase applied to salaries plus 3%. The assumed rate of
27 return shall be determined [annually] by the [State Treasurer]
28 State Investment Council after consultation with the directors of
29 the Divisions of Investment and Pensions] interest as determined
30 by the State Treasurer after consultation with the Directors of
31 the Divisions of Investment and Pensions, the board of trustees
32 and the actuary. It shall bear a reasonable relationship to the
33 percentage rate of earnings on investments based on the market
34 value of the assets but shall not exceed 110% of the weighted
35 average, published by the United States Internal Revenue Service,
36 of the rates of interest on 30-year United States Treasury
37 Constant Maturities during the four-year period ending on the
38 last day of the month as of which the annual actuarial valuation
39 is prepared² [and the actuary of the fund]. [It shall bear a
40 reasonable relationship to the percentage rate of earnings on
41 investments but shall not exceed 105% of such percentage rate.]

42 n. "Retirement allowance" means the pension plus the annuity.

43 o. "School service" means any service as a "teacher" as
44 defined in this section.

45 p. "Teacher" means any regular teacher, special teacher,
46 helping teacher, teacher clerk, principal, vice-principal,
47 supervisor, supervising principal, director, superintendent, city
48 superintendent, assistant city superintendent, county
49 superintendent, State Commissioner or Assistant Commissioner
50 of Education, members of the State Department of Education
51 who are certificated, unclassified professional staff and other
52 members of the teaching or professional staff of any class, public
53 school, high school, normal school, model school, training school,
54 vocational school, truant reformatory school, or parental school,

1 and of any and all classes or schools within the State conducted
2 under the order and superintendence, and wholly or partly at the
3 expense of the State Board of Education, of a duly elected or
4 appointed board of education, board of school directors, or board
5 of trustees of the State or of any school district or normal school
6 district thereof, and any persons under contract or engagement to
7 perform one or more of these functions. It shall also mean any
8 person who serves, while on an approved leave of absence from
9 regular duties as a teacher, as an officer of a local, county or
10 State labor organization which represents, or is affiliated with an
11 organization which represents, teachers as defined in this
12 subsection. No person shall be deemed a teacher within the
13 meaning of this article who is a substitute teacher. In all cases of
14 doubt the board of trustees shall determine whether any person is
15 a teacher as defined in this article.

16 q. "Teachers' Pension and Annuity Fund," hereinafter referred
17 to as the "retirement system" or "system," is the corporate name
18 of the arrangement for the payment of retirement allowances and
19 other benefits under the provisions of this article, including the
20 several funds placed under said system. By that name all its
21 business shall be transacted, its funds invested, warrants for
22 money drawn, and payments made and all of its cash and
23 securities and other property held.

24 r. "Veteran" means any honorably discharged officer, soldier,
25 sailor, airman, marine or nurse who served in any Army, Air
26 Force or Navy of the Allies of the United States in World War I
27 between July 14, 1914, and November 11, 1918, or who served in
28 any Army, Air Force or Navy of the Allies of the United States in
29 World War II, between September 1, 1939, and September 2, 1945,
30 and who was inducted into such service through voluntary
31 enlistment, and was a citizen of the United States at the time of
32 such enlistment, and who did not, during or by reason of such
33 service, renounce or lose United States citizenship, and any
34 officer, soldier, sailor, marine, airman, nurse or army field clerk
35 who has served in the active military or naval service of the
36 United States and has or shall be discharged or released
37 therefrom under conditions other than dishonorable, in any of the
38 following wars, uprisings, insurrections, expeditions or
39 emergencies, and who has presented to the retirement system
40 evidence of such record of service in form and content
41 satisfactory to said retirement system:

42 (1) The Indian wars and uprisings during any of the periods
43 recognized by the War Department of the United States as
44 periods of active hostility;

45 (2) The Spanish-American War between April 20, 1898, and
46 April 11, 1899;

47 (3) The Philippine insurrections and expeditions during the
48 periods recognized by the War Department of the United States
49 as of active hostility from February 4, 1899, to the end of 1913;

50 (4) The Peking relief expedition between June 20, 1900, and
51 May 27, 1902;

52 (5) The army of Cuban occupation between July 18, 1898, and
53 May 20, 1902;

54 (6) The army of Cuban pacification between October 6, 1906,

1 and April 1, 1909;

2 (7) The Mexican punitive expedition between March 14, 1916,
3 and February 7, 1917;

4 (8) The Mexican border patrol, having actually participated in
5 engagements against Mexicans between April 12, 1911, and
6 June 16, 1919;

7 (9) World War I, between April 6, 1917, and November 11, 1918;

8 (10) World War II, between September 16, 1940, and December
9 31, 1946, who shall have served at least 90 days in such active
10 service, exclusive of any period of assignment (1) for a course of
11 education or training under the Army Specialized Training
12 Program or the Navy College Training Program, which course was
13 a continuation of a civilian course and was pursued to completion,
14 or (2) as a cadet or midshipman at one of the service academies,
15 any part of which 90 days was served between said dates;
16 provided that any person receiving an actual service-incurred
17 injury or disability shall be classed as a veteran, whether or not
18 that person has completed the 90-day service as herein provided;

19 (11) Korean conflict on or after June 23, 1950, and on or prior
20 to January 31, 1955, who shall have served at least 90 days in
21 such active service, exclusive of any period of assignment (1) for
22 a course of education or training under the Army Specialized
23 Training Program or the Navy College Training Program, which
24 course was a continuation of a civilian course and was pursued to
25 completion, or (2) as a cadet or midshipman at one of the service
26 academies, any part of which 90 days was served between said
27 dates; provided that any person receiving an actual
28 service-incurred injury or disability shall be classed as a veteran,
29 whether or not that person has completed the 90-day service as
30 herein provided; and provided further that any member classed as
31 a veteran pursuant to this subsection prior to August 1, 1966,
32 shall continue to be classed as a veteran, whether or not that
33 person completed the 90-day service between said dates as
34 herein provided;

35 (12) Vietnam conflict, on or after December 31, 1960, and on
36 or prior to May 7, 1975, who shall have served at least 90 days in
37 such active service, exclusive of any period of assignment (1) for
38 a course of education or training under the Army Specialized
39 Training Program or the Navy College Training Program, which
40 course was a continuation of a civilian course and was pursued to
41 completion, or (2) as a cadet or midshipman at one of the service
42 academies, any part of which 90 days was served between said
43 dates; and exclusive of any service performed pursuant to
44 the provisions of section 511(d) of Title 10, United States Code,
45 pursuant to an enlistment in the Army National Guard or as a
46 reserve for service in the Army Reserve, Naval Reserve, Air
47 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
48 provided that any person receiving an actual service-incurred
49 injury or disability shall be classed as a veteran, whether or not
50 that person has completed the 90-day service as herein provided;

51 (13) Lebanon peacekeeping mission, on or after September 26,
52 1982, who has served in Lebanon or on board any ship actively
53 engaged in patrolling the territorial waters of that nation for a
54 period, continuous or in the aggregate, of at least 14 days

1 commencing on or before the date of termination of that mission,
2 as proclaimed by the President of the United States, Congress or
3 the Governor, whichever date of termination is the latest, in such
4 active service; provided, that any person receiving an actual
5 service-incurred injury or disability shall be classed as a veteran
6 whether or not that person has completed the 14 days service as
7 herein provided;

8 (14) Grenada peacekeeping mission, on or after October 25,
9 1983, who has served in Grenada or on board any ship actively
10 engaged in patrolling the territorial waters of that nation for a
11 period, continuous or in the aggregate, of at least 14 days
12 commencing on or before the date of termination of that mission,
13 as proclaimed by the President of the United States, Congress or
14 the Governor, whichever date of termination is the latest, in such
15 active service; provided, that any person receiving an actual
16 service-incurred injury or disability shall be classed as a veteran
17 whether or not that person has completed the 14 days service as
18 herein provided;

19 (15) Panama peacekeeping mission, on or after the date of
20 inception of that mission, as proclaimed by the President of the
21 United States, Congress or the Governor, whichever date of
22 inception is earliest, who has served in Panama or on board any
23 ship actively engaged in patrolling the territorial waters of that
24 nation for a period, continuous or in the aggregate, of at least
25 14 days commencing on or before the date of termination of that
26 mission, as proclaimed by the President of the United States,
27 Congress or the Governor, whichever date of termination is the
28 latest, in such active service; provided, that any person receiving
29 an actual service-incurred injury or disability shall be classed as
30 a veteran whether or not that person has completed the 14 days
31 service as herein provided;

32 (16) Operation "Desert Shield/Desert Storm" mission in the
33 Arabian peninsula and the Persian Gulf, on or after the date of
34 inception of that operation, as proclaimed by the President of the
35 United States, Congress or the Governor, whichever date of
36 inception is earliest, who has served in the Arabian peninsula or
37 on board any ship actively engaged in patrolling the Persian Gulf
38 for a period, continuous or in the aggregate, of at least 14 days
39 commencing on or before the date of termination of that mission,
40 as proclaimed by the President of the United States, Congress or
41 the Governor, whichever date of termination is the latest, in such
42 active service; provided, that any person receiving an actual
43 service-incurred injury or disability shall be classed as a veteran
44 whether or not that person has completed the 14 days service as
45 herein provided.

46 s. "Child" means a deceased member's unmarried child either
47 (a) under the age of 18 or (b) of any age who, at the time of the
48 member's death, is disabled because of mental retardation or
49 physical incapacity, is unable to do any substantial, gainful work
50 because of the impairment and the impairment has lasted or can
51 be expected to last for a continuous period of not less than
52 12 months, as affirmed by the medical board.

53 t. "Widower" means the man to whom a member was married
54 at least five years before the date of her death and to whom she

1 continued to be married until the date of her death and who was
2 receiving at least one-half of his support from the member in the
3 12-month period immediately preceding the member's death or
4 the accident which was the direct cause of the member's death.
5 The dependency of such a widower will be considered terminated
6 by marriage of the widower subsequent to the death of the
7 member. In the event of the payment of an accidental death
8 benefit, the five-year qualification shall be waived.

9 u. "Widow" means the woman to whom a member was married
10 at least five years before the date of his death and to whom he
11 continued to be married until the date of his death and who was
12 receiving at least one-half of her support from the member in the
13 12-month period immediately preceding the member's death or
14 the accident which was the direct cause of the member's death.
15 The dependency of such a widow will be considered terminated by
16 the marriage of the widow subsequent to the member's death. In
17 the event of the payment of an accidental death benefit, the
18 five-year qualification shall be waived.

19 v. "Parent" means the parent of a member who was receiving
20 at least one-half of the parent's support from the member in the
21 12-month period immediately preceding the member's death or
22 the accident which was the direct cause of the member's death.
23 The dependency of such a parent will be considered terminated by
24 marriage of the parent subsequent to the death of the member.

25 w. "Medical board" means the board of physicians provided for
26 in N.J.S.18A:66-56.

27 (cf: P.L.1991, c.390, s.2)

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

29 18A:66-18. The contingent reserve fund shall be the fund in
30 which shall be credited contributions made by the State and other
31 employers.

32 a. Upon the basis of [such] the tables recommended by the
33 actuary [as] which the board of trustees adopts[,] and regular
34 interest, the actuary of the board shall compute annually the
35 amount of contribution, expressed as a proportion of the
36 compensation paid to all members, except veteran members who
37 were employed as teachers on January 1, 1955, which, if paid
38 monthly during the entire prospective service of such members,
39 will be sufficient to provide for the pension reserves required at
40 the time of discontinuance of active service, to cover all pensions
41 to which they may be entitled or which are payable on their
42 account, and to provide for the amount of the death and
43 accidental disability benefits payable on their account, and which
44 amount is not covered by other contributions to be made as
45 provided in this section and the funds in hand available for such
46 benefits. This shall be known as the "normal contribution." The
47 actuary shall redetermine the normal contributions for the
48 retirement system as of March 31, 1990 and March 31, 1991.

49 b. Upon the basis of [such] the tables recommended by the
50 actuary [as] which the board of trustees adopts[,] and regular
51 interest, the actuary of the board shall compute the amount of
52 the unfunded liability [as of March 31, 1987 which has accrued on
53 the basis of service rendered prior to April 1, 1987 by all
54 members, except veteran members who were employed as

1 teachers on January 1, 1955, including the amount of the liability
2 accrued by reason of the establishment of class B credit by
3 nonveteran members which has not already been covered by State
4 contributions to the retirement system, and including the accrued
5 liabilities established by section 13 of chapter 66 of the laws of
6 1966] ²[beginning with the valuation] ² as of March 31, 1990, ²[or
7 for any subsequent valuation following a significant change in
8 benefits or actuarial assumptions as determined by the board of
9 trustees after consultation with the Director of the Division of
10 Pensions and the actuary,] ² excluding the liability for pension
11 adjustment benefits and post-retirement medical benefits for
12 active employees funded pursuant to section 2 of P.L.1987, c.385
13 (C.18A:66-18.1), which is not already covered by the assets of the
14 retirement system, valued in accordance with an asset valuation
15 method adopted by the ²[board of trustees] State Treasurer²
16 after consultation with the Directors of the Divisions of
17 Investment and Pensions ², the board of trustees² and the actuary
18 which shall reasonably reflect the market value of the assets, and
19 by prospective employer normal contributions and employee
20 contributions. Using the total amount of this unfunded accrued
21 liability, [he shall compute the amount of the annual payments
22 which, if paid in each succeeding fiscal year commencing with
23 July 1, 1987, for a period which the State Treasurer shall
24 determine upon the advice of the director of the Division of
25 Pensions, but not exceeding 40 years, will provide for] the
26 actuary shall determine a rate of contribution that shall be an
27 initial amount of contribution divided by the compensation of all
28 active members for the valuation period where, if the
29 contribution is increased annually for a specific period of time, it
30 will amortize this liability. The ²[board of trustees] State
31 Treasurer² shall determine, upon the advice of the Director of
32 the Division of Pensions ², the board of trustees² and the
33 actuary, the rate of increase for the contribution and the time
34 period for full funding of this liability, which shall not exceed 40
35 years. This shall be known as the "accrued liability contribution
36 rate." ²[The accrued liability contribution rate shall remain
37 constant unless it is redetermined following a significant change
38 in benefits or actuarial assumptions.] ² The actuary shall compute
39 annually an amount of contribution based upon the total
40 compensation of all members in active service and the accrued
41 liability contribution rate. This shall be known as the "accrued
42 liability contribution."

43 The value of the assets for the valuation period ending
44 March 31, 1990 shall be the full market value of the assets as of
45 that date. ²[The value of the assets for the valuation period
46 ending March 31, 1991 shall be the value of the assets for the
47 preceding valuation period plus 20% of the difference between
48 this preceding value, and the preceding value plus interest on the
49 preceding value at the rate of 8.75%, plus the difference between
50 the benefits paid by the system and the contributions to the
51 system during the valuation period plus interest on the difference
52 at the rate of 4 3/8%.] The value of the assets for the valuation
53 period ending March 31, 1991 shall be the value of the assets for
54 the preceding valuation period increased by 8 3/4%, plus the net

1 cash flow for the valuation period (the difference between the
2 benefits paid by the system and the contributions to the system)
3 increased by 4 3/8%, plus 20% of the difference between this
4 expected value and the full market value of the assets as of
5 March 31, 1991.²

6 The tables of actuarial assumptions previously adopted by the
7 board of trustees for the valuation periods ending March 31, 1990
8 and March 31, 1991 shall be applicable to the revaluations of the
9 retirement system under P.L. , c. (C.) (now pending before
10 the Legislature as this bill), except that the assumptions for
11 salary increases, medical premium inflation and increases in
12 pension adjustment benefits shall be those proposed by the actuary
13 to the retirement system in the draft revision of the annual
14 actuarial reports for the valuation periods ending March 31, 1990
15 and March 31, 1991 submitted by the actuary on April 27, 1992.

16 c. [Upon the basis of such tables recommended by the actuary
17 as the board of trustees adopts, and regular interest, the actuary
18 of the board shall compute annually the amount of the total
19 liability for past service and all prospective service for veteran
20 members who were employed as teachers on January 1, 1955,
21 which has not already been covered by State and employer
22 contributions to the retirement system and, except as provided by
23 section 18A:66-70, by past or prospective contributions by such
24 veteran members and which will be sufficient to provide for the
25 pension reserves required at the time of discontinuance of active
26 service, to cover all pensions to which they may be entitled or
27 which are payable on their account, and to provide for the
28 amount of death and accidental disability benefits payable on
29 their account. Using the total amount of this liability remaining
30 as a basis, he shall compute the amount of the flat annual
31 payment, which, if paid in each succeeding fiscal year
32 commencing with July 1, 1957, for a period of 30 years, will
33 provide for this liability.] (Deleted by amendment, P.L. , c.)
34 (now pending before the Legislature as this bill)

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

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

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

48 (cf: P.L.1987, c.385, s.1)

49 3. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to
50 read as follows:

51 2. Pension adjustment benefits for members and beneficiaries
52 of the Teachers' Pension and Annuity Fund as provided by the
53 "Pension Adjustment Act," P.L.1969, c.169 (C.43:3B-1 et seq.)
54 and health care benefits for qualified retirees and their

1 dependents as provided by P.L.1987, c.384 (C.52:14-17.32f) shall
2 be paid by the retirement system from the contingent reserve
3 fund [and] or other fund or trust, established under the
4 jurisdiction of the board of trustees, which shall receive
5 contributions only to the extent that contributions cannot
6 otherwise be made to a section 401 (h) account due to the
7 requirements of subsection (h) of section 401 of the federal
8 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium
9 payments for retired participants shall first be a charge upon
10 such other fund or trust and only secondarily on the assets set
11 aside under subsection (h) of section 401 of the federal Internal
12 Revenue Code of 1986, 26 U.S.C.§401. The pension adjustment
13 benefits and premiums for health care benefits for qualified
14 retirees shall be funded as employer obligations in a similar
15 manner to that provided for the funding of employer obligations
16 for the retirement benefits provided by the retirement system.
17 The funding shall be phased in as provided by the board of
18 trustees after consultation with the Director of the Division of
19 Pensions and the actuary, except that: a. ¹[the phase-in period
20 shall commence with valuation year 1987 and shall not exceed 25
21 years, b.]¹ any reduction in contributions from recognition of the
22 full market value of the assets as of March 31, 1990 over the
23 adjusted book value of the assets written up by 60% of the excess
24 of market value over adjusted book value as of March 31, 1990 in
25 a fashion similar to that presented in the draft revision of the
26 annual actuarial reports for the valuation periods ending March
27 31, 1990 and March 31, 1991 submitted by the actuary on April
28 27, 1992 shall be used to accelerate the funding of the liabilities
29 for pension adjustment and health care benefits, and ¹[c.] b. (1)¹
30 the level of funding normal contributions to cover the pension
31 adjustment and health care benefits for current active employees
32 upon their retirement shall be at least 48% for valuation year
33 1992 and 56% for valuation year 1993¹, and (2) thereafter, the
34 funding of the pension adjustment and health care benefits for
35 active employees shall be phased in in a uniform manner which
36 fully recognizes those liabilities within 11 years commencing with
37 valuation year 1994¹. The board of trustees shall determine the
38 assumed percentage rate of increase applied to the cost of
39 providing paid health benefits for retirees.

40 (cf: P.L.1987, c.385, s.2)

41 4. N.J.S.18A:66-33 is amended to read as follows:

42 18A:66-33. Regular interest charges payable, the creation and
43 maintenance of reserves in the contingent reserve fund and the
44 maintenance of retirement allowances and other benefits granted
45 by the board of trustees under the provisions of this article are
46 hereby made obligations of each employer, except in the case of
47 employers that are institutions of higher education. Obligations
48 of employers that are institutions of higher education shall be
49 obligations of the State, and the employer shall be deemed to be
50 the State for the purposes of this section. Except as provided in
51 N.J.S.18A:66-27, all income, interest, and dividends derived from
52 deposits and investments authorized by this article shall be used
53 for payment of these obligations.

54 Upon the basis of each actuarial determination and appraisal

1 provided for in this article, the board of trustees shall annually
2 certify, on or before December 1st of each year, to the
3 Commissioner of Education, the State Treasurer, and to each
4 employer, including the State, the contributions due on behalf of
5 its employees for the ensuing fiscal year and payable by the
6 employer to the contingent reserve fund. The amounts payable
7 into the contingent reserve fund for each employer, including the
8 State, shall be paid by the State Treasurer, upon the certification
9 of the commissioner and the warrant of the Director of the
10 Division of Budget and Accounting, to the contingent reserve
11 fund not later than [July 1] June 30 of the ensuing fiscal year.
12 The commissioner shall deduct the amount so certified from any
13 State aid payable to the employer. In the event that no State aid
14 is payable to the employer or in the event that the amount
15 deducted is less than the amount certified as due, the
16 commissioner shall certify the net amount due on behalf of the
17 members to the chief fiscal officer of the employer. Each
18 employer shall pay the net amount due, if any, to the State
19 pursuant to a payment schedule established by the commissioner.
20 The payment schedule shall provide for interest penalties for late
21 payments.

22 Nothing in this section shall cause the State aid of an
23 institution of higher education to be offset, nor shall an
24 institution of higher education incur a debt or be required to
25 make payments pursuant to this section.

26 (cf: P.L.1991, c.246, s.1)

27 5. N.J.S.18A:66-56 is amended to read as follows:

28 18A:66-56. Subject to the provisions of chapter 70 of the laws
29 of 1955, the general responsibility for the proper operation of the
30 teachers' pension and annuity fund shall be vested in the board of
31 trustees. Subject to the limitations of the law, the board shall
32 annually establish rules and regulations for the administration and
33 transaction of its business and for the control of the funds
34 created by this article. Such rules and regulations shall be
35 consistent with those adopted by the other pension funds within
36 the Division of Pensions in order to permit the most economical
37 and uniform administration of all such retirement systems. The
38 membership of the board shall consist of the following:

39 (a) The State Treasurer or the deputy State Treasurer, when
40 designated for that purpose by the State Treasurer;

41 (b) Two trustees appointed by the Governor, with the advice
42 and consent of the Senate, who shall serve [at the pleasure of the
43 Governor] for a term of office of three years and until their
44 successors are appointed, and who shall be private citizens of the
45 State of New Jersey and who are neither an officer thereof nor
46 active or retired members of the system, except that of the two
47 trustees initially appointed by the Governor pursuant to P.L. ,
48 c. (C.) (now pending before the Legislature as this bill), one
49 shall be appointed for a term of two years and one for a term of
50 three years;

51 (c) Three trustees from among the active or retired members
52 of the retirement system, elected by the membership or by the
53 delegates elected for this purpose by the membership, one of
54 whom shall be elected each year for a 3-year term commencing

1 on January 1, following such election in such manner as the board
2 of trustees may prescribe;

3 (d) One trustee not an active or retired teacher nor an officer
4 of the State, elected by the other trustees, other than the State
5 Treasurer, for a term of 3 years.

6 [The terms of office of the members of the board of trustees
7 on the effective date of this article shall continue for the periods
8 for which they were appointed or elected.] A vacancy occurring
9 in the board of trustees shall be filled in the same manner as
10 provided in this section for regular appointment or election to the
11 position where the vacancy exists.

12 Each member of the board shall, upon appointment or election,
13 take an oath of office that, so far as it devolves upon him, he will
14 diligently and honestly administer the board's affairs, and that he
15 will not knowingly violate or willfully permit to be violated any
16 provision of law applicable to this article. The oath shall be
17 subscribed to by the member making it, certified by the officer
18 before whom it is taken and filed immediately in the office of the
19 Secretary of State.

20 Each trustee shall be entitled to one vote in the board and a
21 majority of all the votes of the entire board shall be necessary
22 for a decision by the board of trustees at a meeting of the board.
23 The board shall keep a record of all its proceedings, which shall
24 be open to public inspection.

25 The members of the board shall serve without compensation
26 but shall be reimbursed for any necessary expenditures. No
27 employee shall suffer loss of salary or wages through serving on
28 the board.

29 The State Treasurer shall designate a medical board after
30 consultation with the Director of the Division of Pensions,
31 subject to veto by the board for valid reason. It shall be
32 composed of three physicians who are not eligible to participate
33 in the retirement system. The medical board shall pass upon all
34 medical examinations required under the provisions of this
35 article, shall investigate all essential statements and certificates
36 by or on behalf of a member in connection with an application for
37 disability retirement, and shall report in writing to the
38 retirement system its conclusions and recommendations upon all
39 matters referred to it.

40 (cf: P.L.1971, c.121, s.30)

41 6. N.J.S.18A:66-57 is amended to read as follows:

42 18A:66-57. The board shall elect annually from its membership
43 a chairman and may also elect a vice chairman, who shall have all
44 the power and authority of the chairman in the event of the
45 death, absence or disability of the chairman. The actuary of the
46 fund shall be [designated] selected by the [State Treasurer after
47 consultation with the Director of the Division of Pensions,
48 subject to veto by the board for valid reason] ²[board in a manner
49 similar to the invitation to bids and the evaluation procedure used
50 by the General Services Administration and the Division of
51 Pensions for the contract in effect on the effective date of
52 P.L. , c. (C.) (now pending before the Legislature as this
53 bill)] State Treasurer after consultation with the Director of the
54 Division of Pensions and Benefits, subject to veto by the board

1 for valid reason².

2 The actuary shall be the technical adviser of the board on
3 matters regarding the operation of the funds created by the
4 provisions of this article and shall perform such other duties as
5 are required in connection therewith.

6 The Attorney General shall be the legal adviser of the
7 retirement system, except that if the ²[board] Attorney General²
8 determines that a conflict of interest would affect the ability of
9 the Attorney General to represent the board on a matter
10 affecting the retirement system ²[or if the Attorney General
11 refuses to represent the board]², the board may select and
12 employ legal counsel to advise and represent the board on that
13 matter.

14 The chief or assistant chief of the office of secretarial services
15 of the Division of Pensions of the State Department of the
16 Treasury, shall be the secretary of the board. The chief and
17 assistant chief of the office of secretarial services shall be in the
18 competitive division of the State classified service. The
19 secretary presently in office shall hold the position as chief of
20 the office of secretarial services subject to all of the provisions
21 of Title 11 of the Revised Statutes and shall not be removed from
22 said office except in the manner provided under the provisions of
23 said title relating to permanent employees in the competitive
24 division of the State classified service. The board of trustees
25 shall select its secretary from among the eligible candidates.

26 (cf: P.L.1970, c.57, s.6)

27 7. Section 3 of P.L.1973, c.140 (C.43:6A-3) is amended to read
28 as follows:

29 3. As used in this act:

30 a. "Accumulated deductions" means the sum of all amounts,
31 deducted from the compensation of a member or contributed by
32 him or on his behalf, standing to the credit of his individual
33 account in the annuity saving fund.

34 b. "Annuity" means payments for life derived from the
35 accumulated deductions of a member as provided in this
36 amendatory and supplementary act.

37 c. "Annuity reserve" means the present value of all payments
38 to be made on account of any annuity or benefit in lieu of an
39 annuity computed on the basis of such mortality tables
40 recommended by the actuary as the State House Commission
41 adopts with regular interest.

42 d. "Beneficiary" means any person entitled to receive any
43 benefit pursuant to the provisions of this act by reason of the
44 death of a member or retiree.

45 e. "Child" means a deceased member's or retiree's
46 unmarried child who is either (a) under the age of 18; (b) of any
47 age who, at the time of the member's or retiree's death, is
48 disabled because of mental retardation or physical incapacity, is
49 unable to do any substantial, gainful work because of the
50 impairment and his impairment has lasted or can be expected to
51 last for a continuous period of not less than 12 months, as
52 affirmed by the medical board; or (c) under the age of 21 and is
53 attending school full time.

54 f. "Compensation" means the base salary, for services as a

1 member as defined in this act, which is in accordance with
2 established salary policies of the State for all employees in the
3 same position but shall not include individual salary adjustments
4 which are granted primarily in anticipation of the member's
5 retirement or additional remuneration for performing temporary
6 duties beyond the regular work schedule.

7 g. "Final salary" means the annual salary received by the
8 member at the time of his retirement or death.

9 h. "Fiscal year" means any year commencing with July 1 and
10 ending with June 30 next following.

11 i. "Medical board" means the board of physicians provided for
12 in section 29 of this act.

13 j. "Member" means the Chief Justice and associate justices of
14 the Supreme Court, judges of the Superior Court and tax court of
15 the State of New Jersey required to be enrolled in the retirement
16 system established by this act.

17 For purposes of this act, the person holding the office of
18 standing master by appointment pursuant to N.J.S.2A:1-7 shall
19 have the same privileges and obligations under this act as a judge
20 of a Superior Court.

21 k. "Parent" means the parent of a member who was receiving
22 at least one-half of his support from the member in the 12-month
23 period immediately preceding the member's death or the
24 accident which was the direct cause of the member's death. The
25 dependency of such a parent will be considered terminated by
26 marriage of the parent subsequent to the death of the member.

27 l. "Pension" means payment for life derived from
28 contributions by the State.

29 m. "Pension reserve" means the present value of all payments
30 to be made on account of any pension or benefit in lieu of a
31 pension computed on the basis of such mortality tables
32 recommended by the actuary as shall be adopted by the State
33 House Commission with regular interest.

34 n. "Regular interest" means [interest as]²[the assumed rate of
35 return on investments of the assets of the retirement system used
36 to determine the present value of the liabilities of the system,
37 which rate shall bear a reasonable relationship to the percentage
38 rate of earnings on the assets based upon the market value of the
39 assets but shall not exceed the assumed percentage rate of
40 increase applied to salaries plus 3%. The assumed rate of return
41 shall be determined [annually] by the [State Treasurer] State
42 Investment Council after consultation with the Directors of the
43 Divisions of Investment and Pensions] interest as determined by
44 the State Treasurer after consultation with the Directors of the
45 Divisions of Investment and Pensions, the State House
46 Commission and the actuary. It shall bear a reasonable
47 relationship to the percentage rate of earnings on investments
48 based on the market value of the assets but shall not exceed
49 110% of the weighted average, published by the United States
50 Internal Revenue Service, of the rates of interest on 30-year
51 United States Treasury Constant Maturities during the four-year
52 period ending on the last of the month as of which the annual
53 actuarial valuation is prepared² [and the actuary of the system].
54 [It shall bear a reasonable relationship to the percentage rate of

1 earnings on investments but shall not exceed 105% of such
2 percentage rate.]

3 o. "Retirant" means any former member receiving a pension
4 or retirement allowance as provided by this act.

5 p. "Retirement allowance" means the pension plus the annuity.

6 q. "Retirement system" or "system" herein refers to the
7 "Judicial Retirement System of New Jersey," which is the
8 corporate name of the arrangement for the payment of pensions,
9 retirement allowances and other benefits under the provisions of
10 this act including the several funds placed under said system. By
11 that name, all of its business shall be transacted, its funds
12 invested, warrants for money drawn, and payments made and all
13 of its cash and securities and other property held.

14 r. "Service" means public service rendered for which credit is
15 allowed on the basis of contributions made by the State.

16 s. "Several courts" means the Supreme, Superior, and tax
17 courts.

18 t. "Widow" means the woman to whom a member or a retirant
19 was married at least four years before the date of his death and
20 to whom he continued to be married until the date of his death.
21 The eligibility of such a widow to receive a survivor's benefit
22 will be considered terminated by the marriage of the widow
23 subsequent to the member's or the retirant's death. In the event
24 of accidental death the four-year qualification shall be waived.
25 When used in this act, the term "widow" shall mean and include
26 "widower" as may be necessary and appropriate to the particular
27 situation.

28 u. "Widower" means the man to whom a member or a retirant
29 was married at least four years before the date of her death and
30 to whom she continued to be married until the date of her death.
31 The eligibility of such a widower to receive a survivor's benefit
32 will be considered terminated by the marriage of the widower
33 subsequent to the member's or retirant's death. In the event of
34 accidental death the four-year qualification shall be waived.

35 (cf: P.L.1991, c.91, s.411)

36 8. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to
37 read as follows:

38 29. a. Subject to the provisions of P.L.1955, c.70
39 (C.52:18A-95 to 52:18A-104), the general responsibility for the
40 proper operation of the retirement system is hereby vested in the
41 State House Commission.

42 b. Except as otherwise herein provided, no member of the
43 State House Commission shall have any direct interest in the
44 gains or profits of any investments of the retirement system, nor
45 shall any member of the State House Commission directly or
46 indirectly, for himself or as an agent in any manner use the
47 moneys of the retirement system, except to make such current
48 and necessary payments as are authorized by the commission; nor
49 shall any member of the State House Commission become an
50 endorser or surety, or in any manner an obligor for moneys loaned
51 to or borrowed from the retirement system.

52 c. For purposes of this act, each member of the State House
53 Commission shall be entitled to one vote and a majority vote of
54 all members shall be necessary for any decision by the

1 commission at any meeting of said commission.

2 d. Subject to the limitations of this act, the State House
3 Commission shall annually establish rules and regulations for the
4 administration of the funds created by this act and for the
5 transaction of its business. Such rules and regulations shall be
6 consistent with those adopted by the other pension funds within
7 the Division of Pensions in order to permit the most economical
8 and uniform administration of all such retirement systems.

9 e. The actuary of the system shall be [designated] selected by
10 the [State Treasurer after consultation with the Director of the
11 Division of Pensions] ²[State House Commission in a manner
12 similar to the invitation to bids and the evaluation procedure used
13 by the General Services Administration and the Division of
14 Pensions for the contract in effect on the effective date of this
15 amendatory and supplementary act] State Treasurer after
16 consultation with the Director of the Division of Pensions and
17 Benefits, subject to veto by the commission for valid reason². He
18 shall be the technical adviser of the commission on matters
19 regarding the operation of the funds created by the provisions of
20 this act and shall perform such other duties as are required in
21 connection herewith.

22 f. The Attorney General shall be the legal adviser of the
23 retirement system, except that if the ²[State House Commission]
24 Attorney General² determines that a conflict of interest would
25 affect the ability of the Attorney General to represent the
26 commission on a matter affecting the retirement system ²[or if
27 the Attorney General refuses to represent the commission]², the
28 commission may select and employ legal counsel to advise and
29 represent the commission on that matter.

30 g. The Director of the Division of Pensions of the State
31 Department of the Treasury shall be the secretary of the
32 commission for purposes pertaining to the provisions of this act.

33 h. For purposes of this act, the State House Commission shall
34 keep a record of all of its proceedings which shall be open to
35 public inspection. The retirement system shall publish annually a
36 report showing the fiscal transactions of the retirement system
37 for the preceding year, the amount of the accumulated cash and
38 securities of the system and the last balance sheet showing the
39 financial condition of the system by means of any actuarial
40 valuation of the assets and liabilities of the retirement system.

41 i. The State Treasurer shall designate a medical board after
42 consultation with the Director of the Division of Pensions. It
43 shall be composed of three physicians. The medical board shall
44 pass on all medical examinations required under the provisions of
45 this act, and shall report in writing to the retirement system its
46 conclusions and recommendations upon all matters referred to it.

47 (cf: P.L.1973, c.140, s.29)

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

50 33. a. Upon the basis of [such] the tables recommended by the
51 actuary [as] which the commission adopts and regular interest,
52 the actuary shall compute annually the amount of the
53 contribution, expressed as a proportion of the salaries paid to all
54 members, which if paid monthly during the entire prospective

1 service of the members, will be sufficient to provide for the
2 pension reserves required at the time of the discontinuance of
3 active service, to cover all pensions to which they may be
4 entitled or which are payable on their account and to provide for
5 the amount of the death benefits payable on their account, which
6 amount is not covered by other contributions to be made as
7 provided in this section and the funds in hand available for such
8 benefits. This shall be known as the "normal contribution." The
9 actuary shall redetermine the normal contributions for the
10 retirement system as of June 30, 1990 and June 30, 1991.

11 b. Upon the basis of [such] the tables recommended by the
12 actuary [as] which the commission adopts and regular interest,
13 the actuary shall compute the amount of the unfunded liability
14 [as of June 30, 1973 which has accrued on the basis of services
15 rendered prior to July 1, 1973 by all members, including the
16 amount of the liability accrued by reason of pensions to be
17 granted on account of services rendered by members, which has
18 not already been covered by previous State and county
19 contributions to the Public Employees' Retirement System
20 transferred to the retirement system under provisions of
21 subsection d] ²[, beginning with the valuation]² as of June 30,
22 1990, ²[or for any subsequent valuation following a significant
23 change in benefits or actuarial assumptions as determined by the
24 State House Commission after consultation with the Director of
25 the Division of Pensions and the actuary,]² which is not already
26 covered by the assets of the retirement system, valued in
27 accordance with an asset valuation method adopted by the
28 ²[commission] State Treasurer² after consultation with the
29 Directors of the Divisions of Investment and Pensions ², the
30 commission² and the actuary which shall reasonably reflect the
31 market value of the assets, and by prospective employer normal
32 contributions and employee contributions. Using the total
33 amount of this unfunded accrued liability [he shall compute the
34 amount of the flat annual payment which, if paid in each
35 succeeding fiscal year commencing with July 1, 1974 for a period
36 of 40 years, will provide for this liability], the actuary shall
37 determine a rate of contribution that shall be an initial amount of
38 contribution divided by the compensation of all active members
39 for the valuation period where, if the contribution is increased
40 annually for a specific period of time, it will amortize this
41 liability. The ²[commission] State Treasurer² shall determine,
42 upon the advice of the Director of the Division of Pensions ², the
43 commission² and the actuary, the rate of increase for the
44 contribution and the time period for full funding of this liability,
45 which shall not exceed 40 years. This shall be known as the
46 "accrued liability contribution rate." ²[The accrued liability
47 contribution rate shall remain constant unless it is redetermined
48 following a significant change in benefits or actuarial
49 assumptions.]² The actuary shall compute annually an amount of
50 contribution based upon the total compensation of all members in
51 active service and the accrued liability contribution rate. This
52 shall be known as the "accrued liability contribution."

53 The value of the assets for the valuation period ending June 30,
54 1990 shall be the full market value of the assets as of that date.

1 ²[The value of the assets for the valuation period ending June 30,
2 1991 shall be the value of the assets for the preceding valuation
3 period plus 20% of the difference between this preceding value,
4 and the preceding value plus interest on the preceding value at
5 the rate of 8.75%, plus the difference between the benefits paid
6 by the system and the contributions to the system during the
7 valuation period plus interest on the difference at the rate of 4
8 3/8%.] The value of the assets for the valuation period ending
9 June 30, 1991 shall be the value of the assets for the preceding
10 valuation period increased by 8 3/4%, plus the net cash flow for
11 the valuation period (the difference between the benefits paid by
12 the system and the contributions to the system) increased by 4
13 3/8%, plus 20% of the difference between this expected value and
14 the full market value of the assets as of June 30, 1991.²

15 The tables of actuarial assumptions previously adopted by the
16 ²[board of trustees] commission² for the valuation periods ending
17 June 30, 1990 and June 30, 1991 shall be applicable to the
18 revaluations of the retirement system under P.L. , c. (C.)
19 (now pending before the Legislature as this bill), except that the
20 assumptions for salary increases, medical premium inflation and
21 increases in pension adjustment benefits shall be those proposed
22 by the actuary to the retirement system in the draft revision of
23 the annual actuarial reports for the valuation periods ending June
24 30, 1990 and June 30, 1991 submitted by the actuary on April 27,
25 1992.

26 c. The actuary shall certify annually the aggregate amount
27 payable to the contingent reserve fund in the ensuing year, which
28 amount shall be equal to the sum of the proportion of the
29 earnable salary of all members, computed as described in
30 subsection a. hereof and of the State's accrued liability
31 contribution, payable in the ensuing year, as described in
32 subsection b. hereof. The State shall pay into the contingent
33 reserve fund during the ensuing year the amount so determined.
34 In the event the amount certified to be paid by the State includes
35 amounts due for services rendered by members to counties, the
36 total amount so certified shall be paid to the retirement system
37 by the State; provided, however, the full cost attributable to such
38 services rendered to such counties shall be computed separately
39 by the actuary and the State shall be reimbursed for such
40 amounts by such counties.

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

45 d. [Within 90 days following the effective date of this act, the
46 Public Employees' Retirement System of New Jersey shall
47 transfer that portion of the actuarial reserves established in that
48 system on the basis of contributions made by the State and
49 counties on behalf of those judges whose membership in the
50 Public Employees' Retirement System shall be terminated by
51 provisions of this act and whose retirement and death benefit
52 coverage will be provided by the Judicial Retirement System of
53 New Jersey. The transfer of the reserves to the retirement
54 system established by this act shall be accomplished upon

1 certification by the consulting actuary of the Public Employees'
2 Retirement System of New Jersey as to the amounts to be
3 transferred.] (Deleted by amendment, P.L. , c. .) (now
4 pending before the Legislature as this bill)
5 (cf: P.L.1973, c.140, s.33)

6 10. (New section) Pension adjustment benefits for members
7 and beneficiaries of the Judicial Retirement System provided by
8 the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1
9 et seq.) and premiums or periodic charges which the State is
10 required to pay for benefits provided to retired State employees
11 and their dependents under the "New Jersey State Health
12 Benefits Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.),
13 shall be paid by the retirement system from the contingent
14 reserve fund or other fund or trust, established under the
15 jurisdiction of the State House Commission, which shall receive
16 contributions only to the extent that contributions cannot
17 otherwise be made to a section 401 (h) account due to the
18 requirements of subsection (h) of section 401 of the federal
19 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium
20 payments for retired participants shall first be a charge upon
21 such other fund or trust and only secondarily on the assets set
22 aside under subsection (h) of section 401 of the federal Internal
23 Revenue Code of 1986, 26 U.S.C.§401. The pension adjustment
24 benefits and premiums for health care benefits for qualified
25 retirees shall be funded as employer obligations in a similar
26 manner to that provided for the funding of employer obligations
27 for the retirement benefits provided by the retirement system.
28 The funding ¹[may] shall¹ be phased in as determined by the State
29 House Commission after consultation with the Director of the
30 Division of Pensions and the actuary, except that: a. the
31 phase-in period shall begin with valuation year 1993 and shall
32 ²[not exceed] be² 25 years, and b. any reduction in contributions
33 from recognition of the full market value of the assets as of June
34 30, 1990 over the adjusted book value of the assets written up by
35 60% of the excess of market value over adjusted book value as of
36 June 30, 1990 in a fashion similar to that presented in the draft
37 revision of the annual actuarial reports for the valuation periods
38 ending June 30, 1990 and June 30, 1991 submitted by the actuary
39 on April 27, 1992 shall be used to accelerate the funding of the
40 liabilities for pension adjustment and health care benefits. The
41 State House Commission shall determine the assumed percentage
42 rate of increase applied to the cost of providing health benefits
43 for retirees.

44 11. (New section) Notwithstanding the provisions of the
45 "Pension Adjustment Act, P.L.1958, c.143 (C.43:3B-1 et seq.),
46 pension adjustment benefits provided under that act for members
47 of the Judicial Retirement System shall be paid by the retirement
48 system.

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

51 6. As used in this act:

52 a. "Accumulated deductions" means the sum of all the
53 amounts, deducted from the compensation of a member or
54 contributed by or on behalf of the member, standing to the credit

1 of the member's individual account in the annuity savings fund.

2 b. "Annuity" means payments for life derived from the
3 accumulated deductions of a member as provided in this act.

4 c. "Annuity reserve" means the present value of all payments
5 to be made on account of any annuity or benefit in lieu of an
6 annuity, granted under the provisions of this act, computed on the
7 basis of such mortality tables recommended by the actuary as the
8 board of trustees adopts, with regular interest.

9 d. "Beneficiary" means any person receiving a retirement
10 allowance or other benefit as provided in this act.

11 e. "Child" means a deceased member's unmarried child either
12 (1) under the age of 18 or (2) of any age who, at the time of the
13 member's death, is disabled because of mental retardation or
14 physical incapacity, is unable to do any substantial, gainful work
15 because of the impairment and the impairment has lasted or can
16 be expected to last for a continuous period of not less than
17 12 months, as affirmed by the medical board.

18 f. "Parent" shall mean the parent of a member who was
19 receiving at least 1/2 of the parent's support from the member
20 in the 12-month period immediately preceding the member's
21 death or the accident which was the direct cause of the
22 member's death. The dependency of such a parent will be
23 considered terminated by marriage of the parent subsequent to
24 the death of the member.

25 g. "Widower" means the man to whom a member was married
26 at least 5 years before the date of her death and to whom she
27 continued to be married until the date of her death and who was
28 receiving at least 1/2 of his support from the member in the
29 12-month period immediately preceding the member's death or
30 the accident which was the direct cause of the member's death.
31 The dependency of such a widower will be considered terminated
32 by marriage of the widower subsequent to the death of the
33 member. In the event of the payment of an accidental death
34 benefit, the 5-year qualification shall be waived.

35 h. "Final compensation" means the average annual
36 compensation for which contributions are made for the 3 years of
37 creditable service in New Jersey immediately preceding the
38 member's retirement or death, or it shall mean the average
39 annual compensation for New Jersey service for which
40 contributions are made during any 3 fiscal years of his or her
41 membership providing the largest possible benefit to the member
42 or the member's beneficiary.

43 i. "Fiscal year" means any year commencing with July 1 and
44 ending with June 30 next following.

45 j. "Medical board" shall mean the board of physicians provided
46 for in section 17 (C.43:15A-17).

47 k. "Pension" means payments for life derived from
48 appropriations made by the employer as provided in this act.

49 l. "Pension reserve" means the present value of all payments
50 to be made on account of any pension or benefit in lieu of a
51 pension granted under the provisions of this act, computed on the
52 basis of such mortality tables recommended by the actuary as the
53 board of trustees adopts, with regular interest.

54 m. "Public Employees' Retirement System of New Jersey,"

1 hereinafter referred to as the "retirement system" or "system,"
2 is the corporate name of the arrangement for the payment of
3 retirement allowances and other benefits under the provisions of
4 this act including the several funds placed under said system. By
5 that name all of its business shall be transacted, its funds
6 invested, warrants for money drawn, and payments made and all
7 of its cash and securities and other property held.

8 n. "Regular interest" shall mean [interest as] ²[the assumed
9 rate of return on investments of the assets of the retirement
10 system used to determine the present value of the liabilities of
11 the system, which rate shall bear a reasonable relationship to the
12 percentage rate of earnings on the assets based upon the market
13 value of the assets but shall not exceed the assumed percentage
14 rate of increase applied to salaries plus 3%. The assumed rate of
15 return shall be determined [annually] by the [State Treasurer]
16 State Investment Council after consultation with the Directors of
17 the Divisions of Investment and Pensions] interest as determined
18 by the State Treasurer after consultation with the Directors of
19 the Divisions of Investment and Pensions, the board of trustees
20 and the actuary. It shall bear a reasonable relationship to the
21 percentage rate of earnings on investments based on the market
22 value of the assets but shall not exceed 110% of the weighted
23 average, published by the United States Internal Revenue Service,
24 of the rates of interest on 30-year United States Treasury
25 Constant Maturities during the four-year period ending on the
26 last day of the month as of which the annual actuarial valuation
27 is prepared² [and the actuary of the system]. [It shall bear a
28 reasonable relationship to the percentage rate of earnings on
29 investments but shall not exceed 105% of such percentage rate.]

30 o. "Retirement allowance" means the pension plus the annuity.

31 p. "Veteran" means any honorably discharged officer, soldier,
32 sailor, airman, marine or nurse who served in any Army, Air
33 Force or Navy of the Allies of the United States in World War I,
34 between July 14, 1914, and November 11, 1918, or who served in
35 any Army, Air Force or Navy of the Allies of the United States in
36 World War II, between September 1, 1939, and September 2, 1945,
37 and who was inducted into such service through voluntary
38 enlistment, and was a citizen of the United States at the time of
39 such enlistment, and who did not, during or by reason of such
40 service, renounce or lose United States citizenship, and any
41 officer, soldier, sailor, marine, airman, nurse or army field clerk,
42 who has served in the active military or naval service of the
43 United States and has or shall be discharged or released
44 therefrom under conditions other than dishonorable, in any of the
45 following wars, uprisings, insurrections, expeditions, or
46 emergencies, and who has presented to the retirement system
47 evidence of such record of service in form and content
48 satisfactory to said retirement system:

49 (1) The Indian wars and uprisings during any of the periods
50 recognized by the War Department of the United States as
51 periods of active hostility;

52 (2) The Spanish-American War between April 20, 1898, and
53 April 11, 1899;

54 (3) The Philippine insurrections and expeditions during the

1 periods recognized by the War Department of the United States
2 as of active hostility from February 4, 1899, to the end of 1913;

3 (4) The Peking relief expedition between June 20, 1900, and
4 May 27, 1902;

5 (5) The army of Cuban occupation between July 18, 1898, and
6 May 20, 1902;

7 (6) The army of Cuban pacification between October 6, 1906,
8 and April 1, 1909;

9 (7) The Mexican punitive expedition between March 14, 1916,
10 and February 7, 1917;

11 (8) The Mexican border patrol, having actually participated in
12 engagements against Mexicans between April 12, 1911, and
13 June 16, 1919;

14 (9) World War I, between April 6, 1917, and November 11, 1918;

15 (10) World War II, between September 16, 1940, and
16 December 31, 1946, who shall have served at least 90 days in such
17 active service, exclusive of any period of assignment (1) for a
18 course of education or training under the Army Specialized
19 Training Program or the Navy College Training Program which
20 course was a continuation of a civilian course and was pursued to
21 completion, or (2) as a cadet or midshipman at one of the service
22 academies any part of which 90 days was served between said
23 dates; provided, that any person receiving an actual
24 service-incurred injury or disability shall be classed as a veteran
25 whether or not that person has completed the 90-day service as
26 herein provided;

27 (11) Korean conflict on or after June 23, 1950, and on or prior
28 to January 31, 1955, who shall have served at least 90 days in
29 such active service, exclusive of any period of assignment (1) for
30 a course of education or training under the Army Specialized
31 Training Program or the Navy College Training Program which
32 course was a continuation of a civilian course and was pursued to
33 completion, or (2) as a cadet or midshipman at one of the service
34 academies, any part of which 90 days was served between said
35 dates; provided, that any person receiving an actual
36 service-incurred injury or disability shall be classed as a veteran
37 whether or not that person has completed the 90-day service as
38 herein provided; and provided further, that any member classed
39 as a veteran pursuant to this subparagraph prior to August 1,
40 1966, shall continue to be classed as a veteran whether or not
41 that person completed the 90-day service between said dates as
42 herein provided;

43 (12) Vietnam conflict on or after December 31, 1960, and on
44 or prior to May 7, 1975, who shall have served at least 90 days in
45 such active service, exclusive of any period of assignment (1) for
46 a course of education or training under the Army Specialized
47 Training Program or the Navy College Training Program which
48 course was a continuation of a civilian course and was pursued to
49 completion, or (2) as a cadet or midshipman at one of the service
50 academies, any part of which 90 days was served between said
51 dates; and exclusive of any service performed pursuant to the
52 provisions of section 511(d) of Title 10, United States Code,
53 pursuant to an enlistment in the Army National Guard or as a
54 reserve for service in the Army Reserve, Naval Reserve, Air

1 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
2 provided, that any person receiving an actual service-incurred
3 injury or disability shall be classed as a veteran whether or not
4 that person has completed the 90 days service as herein provided;

5 (13) Lebanon peacekeeping mission, on or after September 26,
6 1982, who has served in Lebanon or on board any ship actively
7 engaged in patrolling the territorial waters of that nation for a
8 period, continuous or in the aggregate, of at least 14 days
9 commencing on or before the date of termination of that mission,
10 as proclaimed by the President of the United States, Congress or
11 the Governor, whichever date of termination is the latest, in such
12 active service; provided, that any person receiving an actual
13 service-incurred injury or disability shall be classed as a veteran
14 whether or not that person has completed the 14 days service as
15 herein provided;

16 (14) Grenada peacekeeping mission, on or after October 25,
17 1983, who has served in Grenada or on board any ship actively
18 engaged in patrolling the territorial waters of that nation for a
19 period, continuous or in the aggregate, of at least 14 days
20 commencing on or before the date of termination of that mission,
21 as proclaimed by the President of the United States, Congress or
22 the Governor, whichever date of termination is the latest, in such
23 active service; provided, that any person receiving an actual
24 service-incurred injury or disability shall be classed as a veteran
25 whether or not that person has completed the 14 days service as
26 herein provided;

27 (15) Panama peacekeeping mission, on or after the date of
28 inception of that mission, as proclaimed by the President of the
29 United States, Congress or the Governor, whichever date of
30 inception is earliest, who has served in Panama or on board any
31 ship actively engaged in patrolling the territorial waters of that
32 nation for a period, continuous or in the aggregate, of at least
33 14 days commencing on or before the date of termination of that
34 mission, as proclaimed by the President of the United States,
35 Congress or the Governor, whichever date of termination is
36 the latest, in such active service; provided, that any person
37 receiving an actual service-incurred injury or disability shall be
38 classed as a veteran whether or not that person has completed
39 the 14 days service as herein provided;

40 (16) Operation "Desert Shield/Desert Storm" mission in the
41 Arabian peninsula and the Persian Gulf, on or after the date of
42 inception of that operation, as proclaimed by the President of the
43 United States, Congress or the Governor, whichever date of
44 inception is earliest, who has served in the Arabian peninsula or
45 on board any ship actively engaged in patrolling the Persian Gulf
46 for a period, continuous or in the aggregate, of at least 14 days
47 commencing on or before the date of termination of that mission,
48 as proclaimed by the President of the United States, Congress or
49 the Governor, whichever date of termination is the latest, in such
50 active service; provided, that any person receiving an actual
51 service-incurred injury or disability shall be classed as a veteran
52 whether or not that person has completed the 14 days service as
53 herein provided.

54 q. "Widow" means the woman to whom a member was married

1 at least 5 years before the date of his death and to whom he
2 continued to be married until the date of his death and who was
3 receiving at least 1/2 of her support from the member in the
4 12-month period immediately preceding the member's death or
5 the accident which was the direct cause of the member's death.
6 The dependency of such a widow will be considered terminated by
7 the marriage of the widow subsequent to the member's death. In
8 the event of the payment of an accidental death benefit, the
9 5-year qualification shall be waived.

10 r. "Compensation" means the base or contractual salary, for
11 services as an employee, which is in accordance with established
12 salary policies of the member's employer for all employees in the
13 same position but shall not include individual salary adjustments
14 which are granted primarily in anticipation of the member's
15 retirement or additional remuneration for performing temporary
16 or extracurricular duties beyond the regular work day or the
17 regular work year. In cases where salary includes maintenance,
18 the retirement system shall fix the value of that part of the
19 salary not paid in money which shall be considered under this act.
20 (cf: P.L.1991, c.390, s.4)

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

23 17. Subject to the provisions of P.L.1955, c. 70 the general
24 responsibility for the proper operation of the Public Employees'
25 Retirement System shall be vested in the board of trustees.
26 Subject to the limitations of the law, the board shall annually
27 establish rules and regulations for the administration and
28 transaction of its business and for the control of the funds
29 created by this subtitle. Such rules and regulations shall be
30 consistent with those adopted by the other pension funds within
31 the Division of Pensions in order to permit the most economical
32 and uniform administration of all such retirement systems.

33 The membership of the board shall consist of the following:

34 a. Two trustees appointed by the Governor, with the advice
35 and consent of the Senate, who shall serve [at the pleasure of the
36 Governor] for a term of office of three years and until their
37 successors are appointed, who shall be private citizens of the
38 State of New Jersey and who are neither an officer thereof nor
39 active or retired members of the system. Of the two trustees
40 initially appointed by the Governor pursuant to P.L. , c.
41 (C.) (now pending before the Legislature as this bill), one shall
42 be appointed for a term of two years and one for a term of three
43 years.

44 b. The State Treasurer or the Deputy State Treasurer, when
45 designated for that purpose by the State Treasurer.

46 c. Three trustees elected for a term of 3 years [from among and]
47 by the member employees of the State from among the
48 active or retired State members of the retirement system in a
49 manner prescribed by the board of trustees.

50 d. One trustee elected for a term of 3 years [from among and]
51 by the member employees of counties from among the active or
52 retired county members of the retirement system and the same
53 method of holding an election from time to time used for the
54 State employees' representatives shall be followed in elections

1 held for county representatives.

2 e. Two trustees elected for a term of 3 years [from among
3 and] by the member employees of municipalities from among the
4 active or retired municipal members of the retirement system
5 and the same method of holding an election from time to time
6 used for the State employees' representatives shall be followed
7 in elections held for municipal representatives.

8 A vacancy occurring in the board of trustees shall be filled by
9 the appointment or election of a successor in the same manner as
10 his predecessor.

11 Each member of the board shall, upon appointment or election,
12 take an oath of office that, so far as it devolves upon him, he will
13 diligently and honestly administer the board's affairs, and that he
14 will not knowingly violate or willfully permit to be violated any
15 provision of law applicable to this act. The oath shall be
16 subscribed to by the member making it, certified by the officer
17 before whom it is taken and filed immediately in the office of the
18 Secretary of State.

19 Each trustee shall be entitled to one vote in the board and a
20 majority of all the votes of the entire board shall be necessary
21 for a decision by the board of trustees at a meeting of the board.
22 The board shall keep a record of all its proceedings, which shall
23 be open to public inspection.

24 The members of the board shall serve without compensation
25 but shall be reimbursed for any necessary expenditures. No
26 employee shall suffer loss of salary or wages through the serving
27 on the board.

28 [The terms of office of the members of the board of trustees
29 on the effective date of this amendatory and supplementary act
30 shall continue for the periods for which they were appointed or
31 elected.]

32 The State Treasurer shall designate a medical board after
33 consultation with the Director of the Division of Pensions,
34 subject to veto by the board of trustees for valid reason. It shall
35 be composed of three physicians who are not eligible to
36 participate in the retirement system. The medical board shall
37 pass upon all medical examinations required under the provisions
38 of this act, shall investigate all essential statements and
39 certificates by or on behalf of a member in connection with an
40 application for disability retirement, and shall report in writing
41 to the retirement system its conclusions and recommendations
42 upon all matters referred to it.

43 (cf: P.L.1973, c.26, s.1)

44 14. Section 18 of P.L.1954, c.84 (43:15A-18) is amended to
45 read as follows:

46 18. The board shall elect annually from its membership a
47 chairman and may also elect a vice-chairman, who shall have all
48 the power and authority of the chairman in the event of the
49 death, absence or disability of the chairman.

50 The actuary of the fund shall be [designated] selected by the
51 [State Treasurer after consultation with the Director of the
52 Division of Pensions, subject to veto by the board for valid
53 reason] ²[board in a manner similar to the invitation to bids and
54 the evaluation procedure used by the General Services

1 Administration and the Division of Pensions for the contract in
2 effect on the effective date of P.L. , c. (C.) (now pending
3 before the Legislature as this bill)] State Treasurer after
4 consultation with the Director of the Division of Pensions and
5 Benefits, subject to veto by the board for valid reason².

6 The actuary shall be the technical adviser of the board on
7 matters regarding the operation of the funds created by the
8 provisions of this act and shall perform such other duties as are
9 required in connection therewith.

10 The Attorney General shall be the legal adviser of the
11 retirement system, except that if the ²[board] Attorney General²
12 determines that a conflict of interest would affect the ability of
13 the Attorney General to represent the board on a matter
14 affecting the retirement system ²[or if the Attorney General
15 refuses to represent the board]², the board may select and
16 employ legal counsel to advise and represent the board on that
17 matter.

18 The chief or assistant chief of the office of secretarial services
19 of the Division of Pensions of the State Department of the
20 Treasury, shall be the secretary of the board. The chief and
21 assistant chief of the office of secretarial services shall be in the
22 competitive division of the State classified service. The
23 secretary presently in office shall hold the position as assistant
24 chief of the office of secretarial services subject to all of the
25 provisions of Title 11 of the Revised Statutes and shall not be
26 removed from said office except in the manner provided under
27 the provisions of said Title relating to permanent employees in
28 the competitive division of the State classified service. The
29 board of trustees shall select its secretary from among the
30 eligible candidates.

31 (cf: P.L.1970, c.57, s.2)

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

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

37 a. Upon the basis of [such] the tables recommended by the
38 actuary [as] which the board adopts[,] and regular interest, the
39 actuary shall compute annually the amount of contribution,
40 expressed as a proportion of the compensation paid to all
41 members, which, if paid monthly during the entire prospective
42 service of the members, will be sufficient to provide for the
43 pension reserves required at the time of discontinuance of active
44 service, to cover all pensions to which they may be entitled or
45 which are payable on their account and to provide for the amount
46 of the death and accidental disability benefits payable on their
47 account, and which amount is not covered by other contributions,
48 to be made as provided in this section and the funds in hand
49 available for such benefits. This shall be known as the "normal
50 contribution." The actuary shall redetermine the normal
51 contributions for the retirement system as of March 31, 1990 and
52 March 31, 1991.

53 b. Upon the basis of [such] the tables recommended by the
54 actuary [as] which the board adopts[,] and regular interest, the

1 actuary shall compute the amount of the unfunded liability [as of
2 March 31, 1988 which has accrued on the basis of service
3 rendered prior to April 1, 1988 by all members, including the
4 amount of the liability accrued by reason of allowance to be
5 granted on account of services rendered by State employee
6 veteran members as provided in section 60 of this act prior to the
7 establishment of the retirement system, which has not already
8 been covered by State contributions to the former "State
9 Employees' Retirement System," and including the accrued
10 liabilities established by section 12 of chapter 67 of the laws of
11 1966 (C.43:15A-37.1)] ²[, beginning with the valuation]² as of
12 March 31, 1990, ²[or for any subsequent valuation following a
13 significant change in benefits or actuarial assumptions as
14 determined by the board of trustees after consultation with the
15 Director of the Division of Pensions and the actuary,]² excluding
16 the liability for pension adjustment benefits and post-retirement
17 medical benefits for active employees funded pursuant to section
18 6 of P.L.1990, c.6 (C.43:15A-24.1), which is not already covered
19 by the assets of the retirement system, valued in accordance with
20 an asset valuation method adopted by the ²[oard of trustees]
21 State Treasurer² after consultation with the Directors of the
22 Divisions of Investment and Pensions ², the board of trustees²
23 and the actuary which shall reasonably reflect the market value
24 of the assets, and by prospective employer normal contributions
25 and employee contributions. Using the total amount of this
26 unfunded accrued liability, [he shall compute the amount of the
27 annual payment, which, if paid in each succeeding fiscal year
28 commencing with July 1, 1989, for a period which the State
29 Treasurer shall determine upon the advice of the Director of the
30 Division of Pensions, but not exceeding 40 years, will provide for
31 this liability. The annual payment so computed and certified
32 shall be valued annually and any additional liability which has
33 accrued by reason of allowances to be granted on account of
34 services rendered by State employee veteran members as
35 provided in section 60 shall be added to the amount previously
36 certified so that the entire liability shall be paid within the
37 period determined by the State Treasurer, but not exceeding 40
38 years] the actuary shall determine a rate of contribution that
39 shall be an initial amount of contribution divided by the
40 compensation of all active members for the valuation period
41 where, if the contribution is increased annually for a specific
42 period of time, it will amortize this liability. The ²[board of
43 trustees] State Treasurer² shall determine, upon the advice of the
44 Director of the Division of Pensions ², the board of trustees² and
45 the actuary, the rate of increase for the contribution and the
46 time period for full funding of this liability, which shall not
47 exceed 40 years. This shall be known as the "accrued liability
48 contribution rate." ²[The accrued liability contribution rate shall
49 remain constant unless it is redetermined following a significant
50 change in benefits or actuarial assumptions.]² The actuary shall
51 compute annually an amount of contribution based upon the total
52 compensation of all members in active service and the accrued
53 liability contribution rate. This shall be known as the "accrued
54 liability contribution."

1 The value of the assets for the valuation period ending
2 March 31, 1990 shall be the full market value of the assets as of
3 that date. ²[The value of the assets for the valuation period
4 ending March 31, 1991 shall be the value of the assets for the
5 preceding valuation period plus 20% of the difference between
6 this preceding value, and the preceding value plus interest on the
7 preceding value at the rate of 8.75%, plus the difference between
8 the benefits paid by the system and the contributions to the
9 system during the valuation period plus interest on the difference
10 at the rate of 4 3/8%.] The value of the assets for the valuation
11 period ending March 31, 1991 shall be the value of the assets for
12 the preceding valuation period increased by 8 3/4%, plus the net
13 cash flow for the valuation period (the difference between the
14 benefits paid by the system and the contributions to the system)
15 increased by 4 3/8%, plus 20% of the difference between this
16 expected value and the full market value of the assets as of
17 March 31, 1991.²

18 The tables of actuarial assumptions previously adopted by the
19 board of trustees for the valuation periods ending March 31, 1990
20 and March 31, 1991 shall be applicable to the revaluations of the
21 retirement system under P.L. , c. (C.) (now pending before
22 the Legislature as this bill), except that the assumptions for
23 salary increases, medical premium inflation and increases in
24 pension adjustment benefits shall be those proposed by the
25 actuary to the retirement system in the draft revision of the
26 annual actuarial reports for the valuation periods ending March
27 31, 1990 and March 31, 1991 submitted by the actuary on
28 April 27, 1992.

29 c. The retirement system shall certify annually the aggregate
30 amount payable to the contingent reserve fund in the ensuing
31 year, which amount shall be equal to the sum of the amounts
32 described in this section. The State shall pay into the contingent
33 reserve fund during the ensuing year the amount so determined.
34 The death benefits, payable as a result of contribution by the
35 State under the provisions of this chapter upon the death of an
36 active or retired member, shall be paid from the contingent
37 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.1990, c.6, s.1)

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

44 2. Pension adjustment benefits for members and beneficiaries
45 of the Public Employees' Retirement System provided by the
46 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.)
47 and premiums or periodic charges which the State is required to
48 pay for benefits provided to retired State employees and their
49 dependents under the "New Jersey State Health Benefits Program
50 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be paid by the
51 retirement system [and] from the contingent reserve fund or
52 other fund or trust, established under the jurisdiction of the board
53 of trustees, which shall receive contributions only to the extent

1 that contributions cannot otherwise be made to a section 401 (h)
 2 account due to the requirements of subsection (h) of section 401
 3 of the federal Internal Revenue Code of 1986, 26 U.S.C.§401.
 4 Any premium payments for retired participants shall first be a
 5 charge upon such other fund or trust and only secondarily on the
 6 assets set aside under subsection (h) of section 401 of the federal
 7 Internal Revenue Code of 1986, 26 U.S.C.§401. The pension
 8 adjustment benefits and premiums for health care benefits for
 9 qualified retirees shall be funded as employer obligations in a
 10 similar manner to that provided for the funding of employer
 11 obligations for the retirement benefits provided by the
 12 retirement system[.]. The funding ¹[may] shall¹ be phased in as
 13 determined by the [State Treasurer upon the advice of] board of
 14 trustees after consultation with the Director of the Division of
 15 Pensions and the actuary, except that: a. any reduction in
 16 contributions from recognition of the full market value of the
 17 assets as of March 31, 1990 over the adjusted book value of the
 18 assets written up by 60% of the excess of market value over
 19 adjusted book value as of March 31, 1990 in a fashion similar to
 20 that presented in the draft revision of the annual actuarial
 21 reports for the valuation periods ending March 31, 1990 and
 22 March 31, 1991 submitted by the actuary on April 27, 1992 shall
 23 be used to accelerate the funding of the liabilities for pension
 24 adjustment and health care benefits as follows: 70% of the
 25 State's portion of that amount shall be used to fund pension
 26 adjustment benefits and 30% to fund health care benefits and
 27 100% of the other employers' portion of that amount shall be
 28 used to fund pension adjustment benefits, and b. (1) ¹[the funding
 29 of the pension adjustment and health care benefits for active
 30 employees shall be phased in in a uniform manner which fully
 31 recognizes those liabilities within 12 years commencing with
 32 valuation year 1990, and (2) total employer contributions,
 33 expressed as a percentage of compensation, shall be at least as
 34 follows:

Valuation Year	Employer Contribution as a Percentage of Compensation
1990	3.1%
1991	3.7%
1992	4.1%
1993	7.6%
1994	7.8%
1995	8.0%
1996	8.2%
1997	8.4%
1998	8.6%
1999	8.8%
2000	9.0%.]

51 the level of funding normal contributions to cover the pension
 52 adjustment and health care benefits for current active employees
 53 upon their retirement shall be at least 48% for valuation year
 54 1992 and 56% for valuation year 1993, and (2) thereafter, the
 55 funding of the pension adjustment and health care benefits for
 56 active employees shall be phased in in a uniform manner which
 57 fully recognizes those liabilities within 11 years commencing with

1 valuation year 1994.¹ The board of trustees shall determine the
2 assumed percentage rate of increase applied to the cost of
3 providing paid health benefits for retirees. The liability for
4 pension adjustment benefits and for premiums or periodic charges
5 for health care benefits for retired State employees and their
6 dependents shall be included as a liability of the retirement
7 system as of April 1, 1988.

8 (cf: P.L.1990, c.6, s.2)

9 17. Section 68 of P.L.1954, c.84 (C.43:15A-68) is amended to
10 read as follows:

11 68. The Public Employees' Retirement System shall certify to
12 the chief fiscal officer of the employer the rates of contributions
13 payable by members. The system shall further certify, no later
14 than December 31 each year, the contributions, including the
15 accrued liability contribution similar to the State accrued
16 liability contribution, payable by the employer to the contingent
17 reserve fund on behalf of these members, and a pro rata share of
18 the cost of the administration of the retirement system, based
19 upon the payroll of the members who are employees of the
20 employer. The initial actuarial expense incident to the
21 determination of the accrued liability contribution payable by the
22 employer, shall be paid by the employer. The amount certified by
23 the system as payable by such employer to the contingent reserve
24 fund shall be included in the next budget subsequent to the
25 certification by the system. The treasurer or corresponding
26 officer shall pay [on July 1 in each year] to the State Treasurer
27 no later than April 1 of the State's fiscal year in which payment
28 is due the amount of the employer's charges so certified. If
29 payment of the full amount of such obligation is not made within
30 30 days after [July] April 1, interest at the rate of [6%] 10% per
31 annum shall commence to run against the unpaid balance thereof
32 on the first day after such thirtieth day. The treasurer or
33 corresponding officer shall also pay to the State Treasurer the
34 amount of the deductions from the compensation of the members
35 who are employees of the employer. The State Treasurer shall
36 credit these amounts to the appropriate fund or account.

37 (cf: P.L.1971, c.213, s.31)

38 18. Section 81 of P.L.1954, c.84 (C.43:15A-81) is amended to
39 read as follows:

40 81. The Public Employees' Retirement System shall certify to
41 each employer the rates of contributions payable by members
42 who are county, municipal or school district employees. The
43 system shall further certify, no later than December 31 each
44 year, the contributions, including the accrued liability
45 contribution similar to the State accrued liability contribution,
46 payable by the county, municipality or school district to the
47 contingent reserve fund on behalf of these members, and a pro
48 rata share of the cost of the administration of the retirement
49 system, based upon the payroll of the members who are
50 employees of the county, municipality or school district. The
51 initial actuarial expense incident to the determination of the
52 accrued liability contribution, payable by the county,
53 municipality or school district, shall be paid by the county,
54 municipality or school district. The amount certified by the

1 system as payable by the county, municipality or school district
2 to the contingent reserve fund shall be included in the next
3 budget subsequent to the certification by the system and levied
4 and collected as any other taxes are levied and collected. The
5 treasurer or corresponding officer of any county, municipality or
6 school district shall pay [on or before July 1 in each year] to the
7 State Treasurer no later than April 1 of the State's fiscal year in
8 which payment is due the amount of the county, municipal or
9 school district charges so certified. If payment of the full
10 amount of such obligation is not made within 30 days after [July]
11 April 1, interest at the rate of [6%] 10% per annum shall
12 commence to run against the unpaid balance thereof on the first
13 day after such thirtieth day. The treasurer or corresponding
14 officer shall also pay to the State Treasurer the amount of
15 deductions from the compensation of the members who are
16 employees of the county, municipality or school district. The
17 State Treasurer shall credit these amounts to the appropriate
18 fund or account.

19 (cf: P.L.1971, c.213, s.34)

20 19. R.S.43:16-5 is amended to read as follows:

21 43:16-5. For the purpose of paying the pensions provided by
22 this chapter, all pension funds heretofore created and in
23 existence pursuant to the provisions of an act entitled "An act
24 providing for the retirement of policemen and firemen of the
25 police and fire departments in municipalities of this State,
26 including all police officers having supervision of regulation of
27 traffic upon county roads, and providing a pension for such
28 retired policemen and firemen and members of the police and fire
29 departments, and the widows, children and sole dependent parents
30 of deceased members of said departments," approved April 15,
31 1920 (P.L.1920, c.160), and chapter 16 of Title 43 of the Revised
32 Statutes, shall, from and after July 1, 1953, be consolidated, and,
33 as so consolidated, shall be transferred to and placed under the
34 Consolidated Police and Firemen's Pension Fund created by the
35 provisions of this chapter. All rights and privileges created and
36 extended to members of a municipal police department or of a
37 paid or part-paid fire department or of a county police
38 department, including members of the paid or part-paid fire
39 department of any fire district located in any township which has
40 adopted said act or said chapter of the Revised Statutes are
41 hereby expressly preserved, continued and transferred from said
42 pension funds to said consolidated fund. Nothing herein contained
43 shall be deemed to affect or impair the right of any beneficiary
44 of any of the funds so created, but all rights of such beneficiaries
45 which have accrued or may accrue in or against any such pension
46 fund shall be deemed to have accrued or to accrue against the
47 funds so consolidated. Said consolidated fund shall be maintained
48 as follows:

49 (a) There shall be deducted from every payment of salary to
50 each member, as defined in the supplement to this chapter
51 enacted by laws of 1944, c.253, s.12, as amended and
52 supplemented, and paid into said consolidated fund 7% of the
53 amount thereof.

54 (b) All employers, as defined in the supplement to this chapter

1 enacted by laws of 1944, c.253, s.21, as amended and
2 supplemented, shall contribute to the said consolidated fund in
3 the following manner and amounts:

4 (1) An amount equal to 6% of the total of salaries annually
5 paid to the members of the consolidated fund under said
6 employer's jurisdiction, which shall be known as the employer's
7 normal contribution, and which shall be paid into said fund [on
8 July 1 of each year, commencing July 1, 1953] no later than April
9 1 of the State's fiscal year in which payment is due.

10 (2) An additional amount annually for a period of 30 years,
11 commencing July 1, 1953, equal to $66 \frac{2}{3} \%$ of the share of the
12 particular employer of the annual amortization payment
13 determined by the actuary to be required to bring the fund to a
14 state of actuarial solvency at the end of the said 30-year period.
15 In determining an employer's share of said annual amortization
16 payment, the actuary shall determine separately, and give due
17 credit to the value of the assets transferred by such employer to
18 said consolidated fund. The amount of each of such annual
19 payments shall be certified by the fund to the treasurer of each
20 employer prior to the first day of the year in which such payment
21 is required to be made, and said amount shall be appropriated in
22 said employer's budget for that year. Said annual payment,
23 which shall be known as the employer's accrued liability
24 contribution, shall be made in two equal portions; the first on the
25 first day of each year, and the second on July 1 of each year.

26 (3) An additional amount to be paid each year following the
27 termination of the 30-year period provided for in subsection (b)(2)
28 of this section, sufficient to meet the requirements of the fund.

29 (4) A fee, payable [on July 1 of each year] no later than April 1
30 of the State's fiscal year in which payment of the employer's
31 normal contribution is due and consisting of such proportion of
32 the administrative expense of the consolidated fund as the
33 number of active and retired members under the jurisdiction of
34 such employer, or their beneficiaries, then bears to the total
35 number of active and retired members under the jurisdiction of
36 such employer, or their beneficiaries, then bears to the total
37 number of active and retired members and beneficiaries in the
38 consolidated fund.

39 (c) The State of New Jersey shall contribute annually,
40 throughout a period of 20 years, commencing July 1, 1972, such
41 amount as may be necessary to make up the balance of the
42 accrued liability of the consolidated fund. The amount of such
43 annual contributions by the State shall be certified to the State
44 Treasurer by the actuary at the time required for other State
45 departmental budgetary certifications. All funds necessary to
46 meet the State's share of said annual payments shall be included
47 in the annual State budget and appropriated by the Legislature.

48 (d) If payment of the full amount of the employer's obligation
49 is not made within 30 days of the due date established by the act,
50 interest at the rate of [6%] 10% per annum shall commence to
51 run against unpaid balance thereof on the first day after such
52 thirtieth day.

53 If payment in full, representing the monthly transmittal and
54 report of salary deductions, is not made within 15 days of the due

1 date established by the pension fund, interest at the rate of [6%]
2 10% per annum shall commence to run against the total
3 transmittal of salary deductions for the period on the first day
4 after such fifteenth day.

5 (e) The accrued liability contribution of any employer shall be
6 payable by the employer for the entire period of the financing of
7 such liability and shall continue to be due and owing to the fund
8 even when there are no longer any beneficiaries entitled to
9 benefits.

10 (f) [Notwithstanding any provision of chapter 16 of Title 43 of
11 the Revised Statutes to the contrary, the Legislature shall
12 annually appropriate and the State Treasurer shall pay into the
13 consolidated fund an amount calculated by the actuary to provide
14 for the additional liability required to fund the benefits provided
15 by P.L.1981, c. 241. Any saving realized by the pension fund as a
16 result of any future increase in "regular interest" as determined
17 annually by the State Treasurer shall be applied by the actuary
18 towards meeting the cost of this additional liability.] [Deleted by
19 amendment, P.L. , c. .] (now pending before the Legislature
20 as this bill)

21 (g) [If in any year the State's or any county's or
22 municipality's liability to fund the benefits provided in this 1984
23 amendatory act exceeds the value of the employee contribution
24 increase established pursuant to P.L.1981, c. 241 and the
25 application of interest earnings, the actuary of the retirement
26 system shall specify, the State Treasurer shall certify, and the
27 commission shall set the increase in employee contributions to be
28 effective in the following fiscal year in order to provide for this
29 liability.] (Deleted by amendment, P.L. , c. .) (now pending
30 before the Legislature as this bill)

31 (h) Upon the basis of tables recommended by the actuary
32 which the commission adopts after consultation with the Director
33 of the Division of Pensions, the actuary shall compute the amount
34 of unfunded liability of the fund as of June 30, 1990 which is not
35 already covered by the assets of the fund, valued in accordance
36 with an asset valuation method adopted by the ²[commission]
37 State Treasurer² after consultation with the Directors of the
38 Divisions of Investment and Pensions ², the commission² and the
39 actuary, and prospective employer normal contributions and
40 employee contributions. Using the total amount of this unfunded
41 liability, the actuary shall compute the amount of the flat annual
42 payment which, if paid in each succeeding fiscal year,
43 commencing with July 1, 1991, for a period of nine years, will
44 provide for this liability. This payment shall be increased or
45 decreased in succeeding fiscal years to amortize any actuarial
46 loss or gain over the remaining time in this nine-year period.
47 Any unfunded liability remaining after this nine-year period shall
48 be funded by direct State appropriations. The actuary shall
49 annually certify over the nine-year period the amount payable to
50 the fund in the ending year, and the State shall pay into the fund
51 during the ensuing year the amount so certified.

52 The value of the assets for the valuation period ending June 30,
53 1990 shall be the full market value of the assets as of that date.
54 ²[The value of the assets for the valuation period ending June 30,

1 1991 shall be the value of the assets for the preceding valuation
2 period plus 20% of the difference between this preceding value,
3 and the preceding value plus interest on the preceding value at
4 the rate of 8.75%, plus the difference between the benefits paid
5 by the system and the contributions to the system during the
6 valuation period plus interest on the difference at the rate of 4
7 3/8%.] The value of the assets for the valuation period ending
8 June 30, 1991 shall be the value of the assets for the preceding
9 valuation period increased by 8 3/4%, plus the net cash flow for
10 the valuation period (the difference between the benefits paid by
11 the system and the contributions to the system) increased by 4
12 3/8%, plus 20% of the difference between this expected value and
13 the full market value of the assets as of June 30, 1991.²

14 The tables of actuarial assumptions previously adopted by the
15 board of trustees for the valuation periods ending June 30, 1990
16 and June 30, 1991 shall be applicable to the revaluations of the
17 retirement system under P.L. , c. (C.) (now pending before
18 the Legislature as this bill) ², except that the assumptions for
19 salary increases, medical premium inflation and increases in
20 pension adjustment benefits shall be those proposed by the
21 actuary to the retirement system in the draft revision of the
22 annual actuarial reports for the valuation periods ending June 30,
23 1990 and June 30, 1991 submitted by the actuary on April 27,
24 1992]².

25 (cf: P.L.1984, c.127, s.2)

26 20. Section 5 of P.L.1952, c.358 (C.43:16-6.1) is amended to
27 read as follows:

28 5. There is hereby established in the Division of Pensions in
29 the Department of the Treasury a commission which shall be
30 known as the Consolidated Police and Firemen's Pension Fund
31 Commission, and shall consist of nine members; two of whom
32 shall be elected by the policemen, and two of whom shall be
33 elected by the firemen, who are active or retired members of the
34 consolidated fund, four of which members shall be appointed by
35 the Governor, with the advice and consent of the Senate who
36 shall serve [at the pleasure of the Governor] for a term of office
37 of four years and until their successors are appointed and who
38 shall be private citizens of the State of New Jersey who are
39 neither an officer thereof nor active or retired public employees,
40 and the remaining member whereof shall be the State Treasurer,
41 or, when so designated by him, the Deputy State Treasurer. Of
42 the members initially appointed by the Governor pursuant to
43 P.L. , c. (C.) (now pending before the Legislature as this
44 bill), one shall be appointed for a term of one year, one for a
45 term of two years, one for a term of three years, and one for a
46 term of four years. The term of office of elected members of
47 the commission shall be 4 years. Any vacancy occurring in said
48 commission shall be filled as the office was originally filled. In
49 each municipality and county in which a pension fund
50 consolidated by the provisions of this act existed, elections shall
51 be held on the second Wednesday of June in each year in which a
52 member of said commission is to be elected by the policemen or
53 firemen hereunder. At every such election each policeman and
54 fireman who was a member of any pension fund consolidated and

1 a member of the pension fund created by this act shall be eligible
2 to vote for any of such candidates who shall have been nominated
3 for the office of elective member of said commission. The
4 elections shall be held according to such rules and regulations as
5 the commission shall adopt, subject to the provisions of this act,
6 to govern the holding of such elections and the method of
7 nominating candidates for the office to be voted for thereat.

8 Each member of the commission shall after his appointment or
9 election, take and subscribe an oath that, so far as it devolves
10 upon him, he will diligently and honestly fulfill his duties as a
11 member, and that he will not knowingly violate nor willingly
12 permit to be violated any of the provisions of law applicable to
13 such fund. Each of such oaths, when certified by the officer
14 before whom it is taken, shall be filed in the office of the
15 Secretary of State. The members of the commission shall serve
16 without compensation, but shall be reimbursed for all necessary
17 expenses incurred in discharging their duties as members of said
18 commission.

19 The State Treasurer shall designate a medical board after
20 consultation with the Director of the Division of Pensions,
21 subject to veto by the commission for valid reason. It shall be
22 composed of three physicians who are not eligible to participate
23 in the pension fund. The medical board shall pass upon all
24 medical examinations required under the provisions of the act,
25 shall investigate all essential statements and certificates by or on
26 behalf of a member in connection with an application for
27 disability retirement, and shall report in writing to the pension
28 fund its conclusions and recommendations upon all matters
29 referred to it.

30 (cf: P.L.1971, c.179, s.2)

31 21. Section 7 of P.L.1952, c.358 (C.43:16-6.2) is amended to
32 read as follows:

33 7. On July 1, 1952, and in each succeeding year, or, when
34 July 1 is a legal holiday, upon the first business day thereafter,
35 the members of the commission shall meet in annual meeting at
36 which a chairman shall be elected from the membership thereof.
37 The commission shall keep, in convenient form, such data as may
38 be necessary for the actuarial evaluation of the fund committed
39 to its charge and to serve as a record of its experience in the
40 administration of the pension system dependent upon such fund.
41 A record shall be kept of all proceedings of the commission,
42 which shall be open to public inspection. The Attorney General
43 shall act as the legal adviser of the commission, except that if
44 the ²[commission] Attorney General² determines that a conflict
45 of interest would affect the ability of the Attorney General to
46 represent the commission on a matter affecting the retirement
47 system ²[or if the Attorney General refuses to represent the
48 commission]², the commission may select and employ legal
49 counsel to advise and represent the commission on that matter.
50 The actuary of the fund shall be [designated] selected by the
51 [State Treasurer after consultation with the Director of the
52 Division of Pensions, subject to veto by the commission for valid
53 reason] ²[commission in a manner similar to the invitation to bids
54 and the evaluation procedure used by the General Services

1 Administration and the Division of Pensions for the contract in
2 effect on the effective date of P.L. , c. (C.) (now pending
3 before the Legislature as this bill)] State Treasurer after
4 consultation with the Director of the Division of Pensions and
5 Benefits, subject to veto by the commission for valid reason². He
6 shall be the technical adviser of the commission on all matters
7 regarding the operation of the pension fund not otherwise
8 prescribed by law.

9 (cf: P.L.1970, c.57, s.15)

10 22. Section 12 of P.L.1944, c.253 (C.43:16-17) is amended to
11 read as follows:

12 12. The following words and phrases as used in this act, unless
13 a different meaning is plainly required by the context, shall have
14 the following meanings:

15 (1) "Member" shall mean a person who on July 1, 1944, was a
16 member of a municipal police department or paid or part-paid
17 fire department or county police department or a paid or
18 part-paid fire department of a fire district located in a township
19 and who has contributed to the pension fund established under
20 chapter 16 of Title 43 of the Revised Statutes and shall hereafter
21 contribute to said fund.

22 (2) "Active member" shall mean any "member" who is a police
23 officer, firefighter, detective, line person, driver of police van,
24 fire alarm operator or inspector of combustibles and who is
25 subject to call for active service or duty as such.

26 (3) "Employee member" shall mean any "member" who is not
27 subject to call for active service or duty as a police officer,
28 firefighter, detective, line person, driver of police van, fire alarm
29 operator or inspector of combustibles.

30 (4) "Commission" shall mean the board having the general
31 responsibility for the proper operation of the pension fund
32 created by this act, subject to the provisions of chapter 70 of the
33 laws of 1955.

34 (5) "Physician or surgeon" shall mean the medical board
35 composed of physicians who shall be called upon to determine the
36 disability of members as provided by this act.

37 (6) "Employer" shall mean the county, municipality or agency
38 thereof by which a member is employed.

39 (7) "Service" shall mean service rendered while a member is
40 employed by a municipal police department, paid or part-paid
41 fire department, county police department or paid or part-paid
42 fire department of a fire district located in a township prior to
43 the effective date of this act for such service to such
44 departments thereafter.

45 (8) "Pension" shall mean the amount payable to a member or
46 the member's beneficiary under the provisions of this act.

47 (9) "Average salary" shall mean the average salary paid during
48 the last three years of a member's service.

49 (10) "Beneficiary" shall mean any person or persons, other than
50 a member, receiving or entitled to receive a pension or benefits,
51 as provided by this act.

52 (11) "Parent" shall mean the parent of a member who was
53 receiving at least one-half of that parent's support from the
54 member in the 12-month period immediately preceding the

1 member's death or the accident which was the direct cause of
2 the member's death. The dependency of such a parent will be
3 considered terminated by marriage of the parent subsequent to
4 the death of the member.

5 (12) "County police" shall mean all police officers having
6 supervision of regulation of traffic upon county roads.

7 (13) (Deleted by amendment, P.L.1989, c.78.)

8 (14) "Surviving spouse" shall mean the person to whom a
9 member was married before the date of retirement or at least
10 two years before the date of the member's death and whose
11 marriage to the member continued until the member's death.

12 (15) "Child" shall mean a deceased member's unmarried child
13 either (a) under the age of 18 or (b) of any age who, at the time
14 of the member's death, is disabled because of mental retardation
15 or physical incapacity, is unable to do any substantial, gainful
16 work because of the impairment and whose impairment has lasted
17 or can be expected to last for a continuous period of not less than
18 12 months, as affirmed by the examining physicians of the fund.

19 (16) "Regular interest" shall mean [interest as] ²[the assumed
20 rate of return on investments of the assets of the retirement
21 system used to determine the present value of the liabilities of
22 the system, which rate shall bear a reasonable relationship to the
23 percentage rate of earnings on the assets based upon the market
24 value of the assets. The assumed rate of return shall be
25 determined [annually] by the [State Treasurer] State Investment
26 Council after consultation with the Directors of the Divisions of
27 Investment and Pensions [and the actuary of the fund], as such
28 will be considered by the actuary in determining the liabilities of
29 the fund] interest as determined by the State Treasurer after
30 consultation with the Directors of the Divisions of Investment
31 and Pensions, the commission and the actuary. It shall bear a
32 reasonable relationship to the percentage rate of earnings on
33 investments based on the market value of the assets but shall not
34 exceed 110% of the weighted average, published by the United
35 States Internal Revenue Service, of the rates of interest on
36 30-year United States Treasury Constant Maturities during the
37 four-year period ending on the last day of the month as of which
38 the annual actuarial valuation is prepared². [It shall bear a
39 reasonable relationship to the percentage rate of earnings on
40 investments but shall not exceed 105% of such percentage rate.]

41 (17) "Final compensation" shall mean the compensation
42 received by the member in the last 12 months of service
43 preceding retirement.

44 (18) "Compensation" shall mean the base salary, for services as
45 a member as defined in this act, which is in accordance with
46 established salary policies of the member's employer for all
47 employees in the same position but shall not include individual
48 salary adjustments which are granted primarily in anticipation of
49 the member's retirement or additional remuneration for
50 performing temporary duties beyond the regular workday.

51 (cf: P.L.1989, c.78, s.1)

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

54 1. As used in this act:

1 (1) "Retirement system" or "system" shall mean the Police
2 and Firemen's Retirement System of New Jersey as defined in
3 section 2 of this act.

4 (2) (a) "Policeman" shall mean a permanent, full-time
5 employee of a law enforcement unit as defined in section 2 of
6 P.L.1961, c.56 (C.52:17B-67) or the State, other than an officer
7 or trooper of the Division of State Police whose position is
8 covered by the State Police Retirement System, whose primary
9 duties include the investigation, apprehension or detention of
10 persons suspected or convicted of violating the criminal laws of
11 the State and who:

12 (i) is authorized to carry a firearm while engaged in the actual
13 performance of his official duties;

14 (ii) has police powers;

15 (iii) is required to complete successfully the training
16 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.)
17 or comparable training requirements as determined by the board
18 of trustees; and

19 (iv) is subject to the physical and mental fitness requirements
20 applicable to the position of municipal police officer established
21 by an agency authorized to establish these requirements on a
22 Statewide basis, or comparable physical and mental fitness
23 requirements as determined by the board of trustees.

24 The term shall also include an administrative or supervisory
25 employee of a law enforcement unit or the State whose duties
26 include general or direct supervision of employees engaged in
27 investigation, apprehension or detention activities or training
28 responsibility for these employees and a requirement for
29 engagement in investigation, apprehension or detention activities
30 if necessary, and who is authorized to carry a firearm while in
31 the actual performance of his official duties and has police
32 powers.

33 (b) "Fireman" shall mean a permanent, full-time employee of
34 a firefighting unit whose primary duties include the control and
35 extinguishment of fires and who is subject to the training and
36 physical and mental fitness requirements applicable to the
37 position of municipal firefighter established by an agency
38 authorized to establish these requirements on a Statewide basis,
39 or comparable training and physical and mental fitness
40 requirements as determined by the board of trustees. The term
41 shall also include an administrative or supervisory employee of a
42 firefighting unit whose duties include general or direct
43 supervision of employees engaged in fire control and
44 extinguishment activities or training responsibility for these
45 employees and a requirement for engagement in fire control and
46 extinguishment activities if necessary. As used in this paragraph,
47 "firefighting unit" shall mean a municipal fire department, a fire
48 district, or an agency of a county or the State which is
49 responsible for control and extinguishment of fires.

50 (3) "Member" shall mean any policeman or fireman included in
51 the membership of the retirement system pursuant to this
52 amendatory and supplementary act, P.L.1989, c.204
53 (C.43:16A-15.6 et al.).

54 (4) "Board of trustees" or "board" shall mean the board

1 provided for in section 13 of this act.

2 (5) "Medical board" shall mean the board of physicians
3 provided for in section 13 of this act.

4 (6) "Employer" shall mean the State of New Jersey, the
5 county, municipality or political subdivision thereof which pays
6 the particular policeman or fireman.

7 (7) "Service" shall mean service as a policeman or fireman
8 paid for by an employer.

9 (8) "Creditable service" shall mean service rendered for which
10 credit is allowed as provided under section 4 of this act.

11 (9) "Regular interest" shall mean [interest as] ²[the assumed
12 rate of return on investments of the assets of the retirement
13 system used to determine the present value of the liabilities of
14 the system, which rate shall bear a reasonable relationship to the
15 percentage rate of earnings on the assets based upon the market
16 value of the assets but shall not exceed the assumed percentage
17 rate of increase applied to salaries plus 3%. The assumed rate of
18 return shall be determined [annually] by the [State Treasurer]
19 State Investment Council after consultation with the Directors of
20 the Divisions of Investment and Pensions] interest as determined
21 by the State Treasurer after consultation with the Directors of
22 the Divisions of Investment and Pensions, the board of trustees
23 and the actuary. It shall bear a reasonable relationship to the
24 percentage rate of earnings on investments based on the market
25 value of the assets but shall not exceed 110% of the weighted
26 average, published by the United States Internal Revenue Service,
27 of the rates of interest on 30-year United States Treasury
28 Constant Maturities during the four-year period ending on the
29 last day of the month as of which the annual actuarial valuation
30 is prepared² [and the actuary of the system]. [It shall bear a
31 reasonable relationship to the percentage rate of earnings on
32 investments but shall not exceed 105% of such percentage rate.]

33 (10) "Aggregate contributions" shall mean the sum of all the
34 amounts, deducted from the compensation of a member or
35 contributed by him or on his behalf, standing to the credit of his
36 individual account in the annuity savings fund.

37 (11) "Annuity" shall mean payments for life derived from the
38 aggregate contributions of a member.

39 (12) "Pension" shall mean payments for life derived from
40 contributions by the employer.

41 (13) "Retirement allowance" shall mean the pension plus the
42 annuity.

43 (14) "Earnable compensation" shall mean the full rate of the
44 salary that would be payable to an employee if he worked the full
45 normal working time for his position. In cases where salary
46 includes maintenance, the retirement system shall fix the value
47 of that part of the salary not paid in money which shall be
48 considered under this act.

49 (15) "Average final compensation" shall mean the average
50 annual salary upon which contributions are made for the three
51 years of creditable service immediately preceding his retirement
52 or death, or it shall mean the average annual salary for which
53 contributions are made during any three fiscal years of his or her
54 membership providing the largest possible benefit to the member

1 or his beneficiary.

2 (16) "Retirement" shall mean the termination of the
3 member's active service with a retirement allowance granted
4 and paid under the provisions of this act.

5 (17) "Annuity reserve" shall mean the present value of all
6 payments to be made on account of any annuity or benefit in lieu
7 of any annuity computed upon the basis of such mortality tables
8 recommended by the actuary as shall be adopted by the board of
9 trustees, and regular interest.

10 (18) "Pension reserve" shall mean the present value of all
11 payments to be made on account of any pension or benefit in lieu
12 of any pension computed upon the basis of such mortality tables
13 recommended by the actuary as shall be adopted by the board of
14 trustees, and regular interest.

15 (19) "Actuarial equivalent" shall mean a benefit of equal value
16 when computed upon the basis of such mortality tables
17 recommended by the actuary as shall be adopted by the board of
18 trustees, and regular interest.

19 (20) "Beneficiary" shall mean any person receiving a
20 retirement allowance or other benefit as provided by this act.

21 (21) "Child" shall mean a deceased member's or retirant's
22 unmarried child (a) under the age of 18, or (b) 18 years of age or
23 older and enrolled in a secondary school, or (c) under the age of
24 24 and enrolled in a degree program in an institution of higher
25 education for at least 12 credit hours in each semester, provided
26 that the member died in active service as a result of an accident
27 met in the actual performance of duty at some definite time and
28 place, and the death was not the result of the member's willful
29 misconduct, or (d) of any age who, at the time of the member's
30 or retirant's death, is disabled because of mental retardation or
31 physical incapacity, is unable to do any substantial, gainful work
32 because of the impairment and his impairment has lasted or can
33 be expected to last for a continuous period of not less than
34 12 months, as affirmed by the medical board.

35 (22) "Parent" shall mean the parent of a member who was
36 receiving at least one-half of his support from the member in the
37 12-month period immediately preceding the member's death or
38 the accident which was the direct cause of the member's death.
39 The dependency of such a parent will be considered terminated by
40 marriage of the parent subsequent to the death of the member.

41 (23) "Widower" shall mean the man to whom a member or
42 retirant was married at least two years before the date of her
43 death and to whom she continued to be married until the date of
44 her death and who was receiving at least one-half of his support
45 from the member or retirant in the 12-month period immediately
46 preceding the member's or retirant's death or the accident
47 which was the direct cause of the member's death. The
48 dependency of such a widower will be considered terminated by
49 marriage of the widower subsequent to the death of the member
50 or retirant. In the event of the payment of an accidental death
51 benefit, the two-year qualification shall be waived.

52 (24) "Widow" shall mean the woman to whom a member or
53 retirant was married at least two years before the date of his
54 death and to whom he continued to be married until the date of

1 his death and who has not remarried. In the event of the payment
2 of an accidental death benefit, the two-year qualification shall
3 be waived.

4 (25) "Fiscal year" shall mean any year commencing with
5 July 1, and ending with June 30, next following.

6 (26) "Compensation" shall mean the base salary, for services
7 as a member as defined in this act, which is in accordance with
8 established salary policies of the member's employer for all
9 employees in the same position but shall not include individual
10 salary adjustments which are granted primarily in anticipation of
11 the member's retirement or additional remuneration for
12 performing temporary duties beyond the regular workday.

13 (27) "Department" shall mean any police or fire department of
14 a municipality or a fire department of a fire district located in a
15 township or a county police or park police department or the
16 appropriate department of the State or instrumentality thereof.

17 (28) "Final compensation" means the compensation received
18 by the member in the last 12 months of creditable service
19 preceding his retirement.

20 (29) "Mortgage loan" shall mean any indebtedness secured by a
21 mortgage on a residential property, which mortgage shall
22 constitute a first lien on that property.

23 (30) "Residential property" shall mean any real property
24 including land or, in the case of condominiums, an interest in a
25 lot of land, which real property shall consist of a single one- or
26 two-family dwelling, including appropriate garages or other
27 outbuildings.

28 (cf: P.L.1991, c.414, s.1)

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

31 13. (1) Subject to the provisions of P.L.1955, c.70
32 (C.52:18A-95 et seq.), the general responsibility for the proper
33 operation of the retirement system is hereby vested in a board of
34 trustees.

35 (2) The board shall consist of nine trustees as follows:

36 (a) Four members to be appointed by the Governor, with the
37 advice and consent of the Senate, who shall serve [at the pleasure
38 of the Governor] for a term of office of four years and until their
39 successors are appointed and who shall be private citizens of the
40 State of New Jersey who are neither an officer thereof nor an
41 active or retired member of any police or fire department
42 thereof. Of the four members initially appointed by the Governor
43 pursuant to P.L. , c. (C.) (now pending before the
44 Legislature as this bill), one shall be appointed for a term of one
45 year, one for a term of two years, one for a term of three years,
46 and one for a term of four years.

47 (b) The State Treasurer or the deputy State Treasurer, when
48 designated for that purpose by the State Treasurer.

49 (c) Two policemen and two firemen who shall be active or
50 retired members of the system and who shall be elected by the
51 members of the system for a term of four years according to such
52 rules and regulations as the board of trustees shall adopt to
53 govern such election.

54 (3) Each trustee shall, after his appointment or election, take

1 an oath of office that, so far as it devolves upon him he will
2 diligently and honestly fulfill his duties as a board member, and
3 that he will not knowingly violate or willingly permit to be
4 violated any of the provisions of the law applicable to the
5 retirement system. Such oath shall be subscribed by the member
6 making it, and certified by the officer before whom it is taken,
7 and immediately filed in the office of the Secretary of State.

8 (4) If a vacancy occurs in the office of a trustee, the vacancy
9 shall be filled in the same manner as the office was previously
10 filled.

11 (5) The trustees shall serve without compensation, but they
12 shall be reimbursed for all necessary expenses that they may
13 incur through service on the board.

14 (6) Each trustee shall be entitled to one vote in the board. Five
15 trustees must be present at any meeting of said board for the
16 transaction of its business.

17 (7) Subject to the limitations of this act, the board of trustees
18 shall annually establish rules and regulations for the
19 administration of the funds created by this act and for the
20 transaction of its business. Such rules and regulations shall be
21 consistent with those adopted by the other pension funds within
22 the Division of Pensions in order to permit the most economical
23 and uniform administration of all such retirement systems.

24 (8) The board of trustees shall elect from its membership a
25 chairman. The Chief of the Bureau of Police and Fire Funds of
26 the Division of Pensions of the State Department of the Treasury
27 shall be the secretary of the board. The administration of the
28 program shall be performed by the personnel of the Division of
29 Pensions.

30 (9) The board of trustees shall keep a record of all of its
31 proceedings which shall be open to public inspection. The
32 retirement system shall publish annually a report showing the
33 fiscal transactions of the retirement system for the preceding
34 year, the amount of the accumulated cash and securities of the
35 system, and the last balance sheet showing the financial condition
36 of the system by means of an actuarial valuation of the assets
37 and liabilities of the retirement system.

38 (10) The Attorney General of the State of New Jersey shall be
39 the legal advisor of the [board of trustees] retirement system,
40 except that if the ²[board] Attorney General² determines that a
41 conflict of interest would affect the ability of the Attorney
42 General to represent the board on a matter affecting the
43 retirement system ²[or if the Attorney General refuses to
44 represent the board]², the board may select and employ legal
45 counsel to advise and represent the board on that matter.

46 (11) The State Treasurer shall designate a medical board after
47 consultation with the Director of the Division of Pensions,
48 subject to veto by the board of trustees for valid reason. It shall
49 be composed of three physicians who are not eligible to
50 participate in the retirement system. The medical board shall
51 pass upon all medical examinations required under the provisions
52 of this act, shall investigate all essential statements and
53 certificates by or on behalf of a member in connection with an
54 application for disability retirement, and shall report in writing

1 to the retirement system its conclusions and recommendations
2 upon all matters referred to it.

3 (12) The actuary of the system shall be [designated] selected
4 by the [State Treasurer after consultation with the Director of
5 the Division of Pensions, subject to veto by the board for valid
6 reason] ²[board in a manner similar to the invitation to bids and
7 the evaluation procedure used by the General Services
8 Administration and the Division of Pensions for the contract in
9 effect on the effective date of P.L. , c. (C.) (now pending
10 before the Legislature as this bill)] State Treasurer after
11 consultation with the Director of the Division of Pensions and
12 Benefits, subject to veto by the board for valid reason². He shall
13 be the technical advisor of the board of trustees on matters
14 regarding the operation of the funds created by the provisions of
15 this act, and shall perform such other duties as are required in
16 connection therewith.

17 (13) At least once in each three-year period the actuary shall
18 make an actuarial investigation into the mortality, service and
19 compensation experience of the members and beneficiaries of the
20 retirement system and, with the advice of the actuary, the board
21 of trustees shall adopt for the retirement system such mortality,
22 service and other tables as shall be deemed necessary and shall
23 certify the rates of contribution payable under the provisions of
24 this act.

25 (14) (Deleted by amendment.)

26 (15) On the basis of such tables recommended by the actuary
27 as the board of trustees shall adopt and regular interest, the
28 actuary shall make an annual valuation of the assets and liability
29 of the funds of the system created by this act.

30 (16) (Deleted by amendment, P.L.1987, c. 330.)

31 (17) Each policeman or fireman member of the board of
32 trustees shall be entitled to time off from his duty, with pay,
33 during the periods of his attendance upon regular or special
34 meetings of the board of trustees, and such time off shall include
35 reasonable travel time required in connection therewith.

36 (cf: P.L.1987, c.330, s.1)

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

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

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

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

44 (4) Each employer shall make contributions equal to the
45 percentage of compensation of members in its employ as
46 certified by the board of trustees based on annual actuarial
47 valuations. The percentage rate of contribution payable by
48 employers shall be determined initially on the basis of the entry
49 age normal cost method. This shall be known as the "normal
50 contribution." The actuary shall redetermine the normal
51 contributions for the retirement system as of June 30, 1989 and
52 June 30, 1990.

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

54 (6) The percentage rates of contribution payable by employers

1 pursuant to subsection (4) of this section shall be subject to
2 adjustment from time to time by the board of trustees with the
3 advice of the actuary on the basis of annual actuarial valuations
4 and experience investigations as provided under section 13, so
5 that the value of future contributions of members and employers,
6 when taken with present assets, shall be equal to the value of
7 prospective benefit payments.

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

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

30 (9) Upon the basis of [such] the tables recommended by the
31 actuary [as] which the board adopts and regular interest, the
32 actuary shall compute the amount of the unfunded liability [as of
33 June 30, 1988 which has accrued on the basis of service rendered
34 prior to July 1, 1988 by all members, which amount shall remain
35 frozen and shall be amortized over a period not to exceed 40
36 years as determined by the State Treasurer] ²[, beginning with
37 the valuation]² as of June 30, 1989,²[or for any subsequent
38 valuation following a significant change in benefits or actuarial
39 assumptions as determined by the board of trustees after
40 consultation with the Director of the Division of Pensions and the
41 actuary,]² which is not already covered by the assets of the
42 retirement system, valued in accordance with an asset valuation
43 method adopted by the ²[board of trustees] State Treasurer²
44 after consultation with the Directors of the Divisions of
45 Investment and Pensions ², the board of trustees² and the actuary
46 which shall reasonably reflect the market value of the assets, and
47 by prospective employer normal contributions and employee
48 contributions. Using the total amount of this unfunded accrued
49 liability, the actuary shall [compute an increasing amount of
50 annual payment, which is estimated to remain a level percentage
51 of prospective total compensation and which, if paid in each
52 succeeding fiscal year commencing with July 1, 1989, for the
53 period determined by the State Treasurer, will provide for]
54 determine a rate of contribution that shall be an initial amount of

1 contribution divided by the compensation of all active members
 2 for the valuation period where, if the contribution is increased
 3 annually for a specific period of time, it will amortize this
 4 liability. The ²[board of trustees] State Treasurer² shall
 5 determine, upon the advice of the Director of the Division of
 6 Pensions ², the board of trustees² and the actuary, the rate of
 7 increase for the contribution and the time period for full funding
 8 of this liability, which shall not exceed 40 years. This shall be
 9 known as the "accrued liability contribution rate." ²[The accrued
 10 liability contribution rate shall remain constant unless it is
 11 redetermined following a significant change in benefits or
 12 actuarial assumptions.]² The actuary shall compute annually an
 13 amount of contribution based upon the total compensation of all
 14 members in active service and the accrued liability contribution
 15 rate. This shall be known as the "accrued liability contribution."

16 The value of the assets for the valuation period ending June 30,
 17 1989 shall be the full market value of the assets as of that date.
 18 ²[The value of the assets for the valuation period ending June 30,
 19 1990 shall be the value of the assets for the preceding valuation
 20 period plus 20% of the difference between this preceding value,
 21 and the preceding value plus interest on the preceding value at
 22 the rate of 8.75%, plus the difference between the benefits paid
 23 by the system and the contributions to the system during the
 24 valuation period plus interest on the difference at the rate of 4
 25 3/8%.] The value of the assets for the valuation period ending
 26 June 30, 1990 shall be the value of the assets for the preceding
 27 valuation period increased by 8 3/4%, plus the net cash flow for
 28 the valuation period (the difference between the benefits paid by
 29 the system and the contributions to the system) increased by 4
 30 3/8%, plus 20% of the difference between this expected value and
 31 the full market value of the assets as of June 30, 1990.²

32 The tables of actuarial assumptions previously adopted by the
 33 board of trustees for the valuation periods ending June 30, 1989
 34 and June 30, 1990 shall be applicable to the revaluations of the
 35 retirement system under P.L. , c. (C.) (now pending before
 36 the Legislature as this bill), except that the assumptions for
 37 salary increases ²[, medical premium inflation]² and increases in
 38 pension adjustment benefits shall be those proposed by the
 39 actuary to the retirement system in the draft revision of the
 40 annual actuarial reports for the valuation periods ending June 30,
 41 1989 and June 30, 1990 submitted by the actuary on April 27,
 42 1992.

43 The normal and accrued liability contributions [as], which shall
 44 be certified by the retirement system no later than December 31
 45 each year, shall be included in the budget of the employer and
 46 levied and collected in the same manner as any other taxes are
 47 levied and collected for the payment of the salaries of members.

48 (10) The treasurer or corresponding officer of the employer
 49 shall pay [on or before July 1 in each year] to the State Treasurer
 50 no later than April 1 of the State's fiscal year in which payment
 51 is due the amount so certified as payable by the employer, and
 52 shall pay monthly to the State Treasurer the amount of the
 53 deductions from the salary of the members in the employ of the
 54 employer, and the State Treasurer shall credit such amount to the

1 appropriate fund or funds, of the retirement system.

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

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

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

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

28 (13) ¹[The Legislature shall annually appropriate and the State
29 Treasurer shall pay into the pension accumulation fund of the
30 retirement system an amount equal to ~~[1.8%]~~ 1.4% of the
31 compensation of the members of the system upon which the
32 normal contribution rate is based to fund the benefits provided by
33 section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by
34 P.L.1979, c.109.] (Deleted by amendment, P.L. , c.) (now
35 pending before the Legislature as this bill)

36 (14) Commencing with valuation year 1991, with payment to
37 be made in Fiscal Year 1994, the Legislature shall annually
38 appropriate and the State Treasurer shall pay into the pension
39 accumulation fund of the retirement system an amount equal to
40 1.4% of the compensation of the members of the system upon
41 which the normal contribution rate is based to fund the benefits
42 provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as
43 amended by P.L.1979, c.109.¹
44 (cf: P.L.1991, c.136, s.2)

45 26. Section 7 of P.L.1989, c.204 (C.43:16A-15.6) is amended to
46 read as follows:

47 7. Pension adjustment benefits for members and beneficiaries
48 of the Police and Firemen's Retirement System of New Jersey as
49 provided by P.L.1969, c.169 (C.43:3B-1 et seq.) shall be paid by
50 the retirement system from the contingent reserve fund and shall
51 be funded as employer obligations in a similar manner to that
52 provided for the funding of employer obligations for the
53 retirement benefits provided by the retirement system. The
54 funding ¹[may] shall¹ be phased in as determined by the board of

1 trustees after consultation with the Director of the Division of
2 Pensions and the actuary, except that: a. the phase-in period
3 shall ²[not exceed 25] begin with valuation year 1989 and shall be
4 30² years, and b. any reduction in contributions from recognition
5 of the full market value of the assets as of June 30, 1989 over the
6 adjusted book value of the assets written up by 60% of the excess
7 of market value over adjusted book value as of June 30, 1989 in a
8 fashion similar to that presented in the draft revision of the
9 annual actuarial reports for the valuation periods ending June 30,
10 1989 and June 30, 1990 submitted by the actuary on April 27,
11 1992 shall be used to accelerate the funding of the liabilities for
12 pension adjustment benefits.

13 (cf: P.L.1989, c.204, s.7)

14 27. Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended to read
15 as follows:

16 3. As used in this act:

17 a. "Aggregate contributions" means the sum of all the
18 amounts, deducted from the salary of a member or contributed by
19 him or on his behalf, standing to the credit of his individual
20 account in the Annuity Savings Fund. Interest credited on
21 contributions to the former "State Police Retirement and
22 Benevolent Fund" shall be included in a member's aggregate
23 contributions.

24 b. "Annuity" means payments for life derived from the
25 aggregate contributions of a member.

26 c. "Annuity reserve" means the present value of all payments
27 to be made on account of any annuity or benefit in lieu of an
28 annuity, computed upon the basis of such mortality tables
29 recommended by the actuary as the board of trustees adopts and
30 regular interest.

31 d. "Beneficiary" means any person entitled to receive any
32 benefit pursuant to the provisions of this act by reason of the
33 death of a member or retiree.

34 e. "Board of trustees" or "board" means the board provided
35 for in section 30 of this act.

36 f. "Child" means a deceased member's or retiree's
37 unmarried child either (a) under the age of 18 or (b) of any age
38 who, at the time of the member's or retiree's death, is disabled
39 because of mental retardation or physical incapacity, is unable to
40 do any substantial, gainful work because of the impairment and
41 his impairment has lasted or can be expected to last for a
42 continuous period of not less than 12 months, as affirmed by the
43 medical board.

44 g. "Creditable service" means service rendered for which
45 credit is allowed on the basis of contributions made by the
46 member or the State.

47 h. "Parent" means the parent of a member who was receiving
48 at least one-half of his support from the member in the 12-month
49 period immediately preceding the member's death or the
50 accident which was the direct cause of the member's death. The
51 dependency of such a parent will be considered terminated by
52 marriage of the parent subsequent to the death of the member.

53 i. "Final compensation" means the average compensation
54 received by the member in the last 12 months of creditable

1 service preceding his retirement or death. Such term includes
2 the value of the member's maintenance allowance for this same
3 period.

4 j. "Final salary" means the average salary received by the
5 member in the last 12 months of creditable service preceding his
6 retirement or death. Such term shall not include the value of the
7 member's maintenance allowance.

8 k. "Fiscal year" means any year commencing with July 1 and
9 ending with June 30 next following.

10 L. "Medical board" means the board of physicians provided for
11 in section 30 of this act.

12 m. "Member" means any full-time, commissioned officer,
13 non-commissioned officer or trooper of the Division of State
14 Police of the Department of Law and Public Safety of the State
15 of New Jersey enrolled in the retirement system established by
16 this act.

17 n. "Pension" means payment for life derived from
18 contributions by the State.

19 o. "Pension reserve" means the present value of all payments
20 to be made on account of any pension or benefit in lieu of any
21 pension computed on the basis of such mortality tables
22 recommended by the actuary as shall be adopted by the board of
23 trustees and regular interest.

24 p. "Regular interest" means [interest as]²[the assumed rate of
25 return on investments of the assets of the retirement system used
26 to determine the present value of the liabilities of the system,
27 which rate shall bear a reasonable relationship to the percentage
28 rate of earnings on the assets based upon the market value of the
29 assets but shall not exceed the assumed percentage rate of
30 increase applied to salaries plus 3%. The assumed rate of return
31 shall be determined [annually] by the [State Treasurer] State
32 Investment Council after consultation with the Directors of the
33 Divisions of Investment and Pensions] interest as determined by
34 the State Treasurer after consultation with the Directors of the
35 Divisions of Investment and Pensions, the board of trustees and
36 the actuary. It shall bear a reasonable relationship to the
37 percentage rate of earnings on investments based on the market
38 value of the assets but shall not exceed 110% of the weighted
39 average, published by the United States Internal Revenue Service,
40 of the rates of interest on 30-year United States Treasury
41 Constant Maturities during the four-year period ending on the
42 last day of the month as of which the annual actuarial valuation
43 is prepared² [and the actuary of the system]. [It shall bear a
44 reasonable relationship to the percentage rate of earnings on
45 investments but shall not exceed 105% of such percentage rate.]

46 q. "Retirant" means any former member receiving a
47 retirement allowance as provided by this act.

48 r. "Retirement allowance" means the pension plus the annuity.

49 s. "State Police Retirement System of New Jersey," herein
50 also referred to as the "retirement system" or "system," is the
51 corporate name of the arrangement for the payment of
52 retirement allowances and of the benefits under the provisions of
53 this act including the several funds placed under said system. By
54 that name, all of its business shall be transacted, its funds

1 invested, warrants for moneys drawn, and payments made and all
2 of its cash and securities and other property held. All assets held
3 in the name of the former "State Police Retirement and
4 Benevolent Fund" shall be transferred to the retirement system
5 established by this act.

6 t. "Surviving spouse" means the person to whom a member or
7 a retirant was married on the date of the death of the member or
8 retirant. The dependency of such a surviving spouse will be
9 considered terminated by the marriage of the surviving spouse
10 subsequent to the member's or the retirant's death.

11 u. "Compensation" for purposes of computing pension
12 contributions means the base salary, for services as a member as
13 defined in this act, which is in accordance with established salary
14 policies of the State for all employees in the same position but
15 shall not include individual salary adjustments which are granted
16 primarily in anticipation of the member's retirement or
17 additional remuneration for performing temporary duties beyond
18 the regular work day or shift.

19 (cf: P.L.1985, c.355, s.1)

20 28. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to
21 read as follows:

22 30. a. Subject to the provisions of P.L.1955, c.70
23 (C.52:18A-95 et seq.), the general responsibility for the proper
24 operation of the retirement system is hereby vested in the board
25 of trustees.

26 b. The board shall consist of five trustees as follows:

27 (1) Two active or retired members of the system who shall be
28 appointed by the Superintendent of State Police, who shall serve
29 at the pleasure of the superintendent and until their successors
30 are appointed and one of whom shall be or shall have been a
31 commissioned officer of the Division of State Police.

32 (2) Two members to be appointed by the Governor, with the
33 advice and consent of the Senate, who shall serve [at the pleasure
34 of the Governor] for a term of office of three years and until
35 their successors are appointed and who shall be private citizens
36 of the State of New Jersey who are neither an officer thereof nor
37 active or retired members of the system. Of the two members
38 initially appointed by the Governor pursuant to P.L. , c. (C.
39) (now pending before the Legislature as this bill), one shall be
40 appointed for a term of two years and one for a term of three
41 years.

42 (3) The State Treasurer ex officio. The Deputy State
43 Treasurer, when designated for that purpose by the State
44 Treasurer, may sit as a member of the board of trustees and when
45 so sitting shall have all the powers and shall perform all the
46 duties vested by this act in the State Treasurer.

47 c. Each trustee shall, after his appointment, take an oath of
48 office that, so far as it devolves upon him, he will diligently and
49 honestly fulfill his duties as a board member, that he will not
50 knowingly violate or permit to be violated any of the provisions
51 of the law applicable to the retirement system. Such oath shall
52 be subscribed by the member taking it, and certified by the
53 official before whom it is taken, and immediately filed in the
54 office of the Secretary of State.

1 d. If a vacancy occurs in the office of a trustee, the vacancy
2 shall be filled in the same manner as the office was previously
3 filled.

4 e. The trustees shall serve without compensation, but they
5 shall be reimbursed by the State for all necessary expenses that
6 they may incur through service on the board. No employee
7 member shall suffer loss of salary through the serving on the
8 board.

9 f. Except as otherwise herein provided, no member of the
10 board of trustees shall have any direct interest in the gains or
11 profits of any investments of the retirement system; nor shall any
12 member of the board of trustees directly or indirectly, for
13 himself or as an agent in any manner use the moneys of the
14 retirement system, except to make such current and necessary
15 payments as are authorized by the board of trustees; nor shall any
16 member of the board of trustees become an endorser or surety, or
17 in any manner an obligor for moneys loaned to or borrowed from
18 the retirement system.

19 g. Each trustee shall be entitled to one vote in the board. A
20 majority vote of all trustees shall be necessary for any decision
21 by the trustees at any meeting of said board.

22 h. Subject to the limitations of this act, the board of trustees
23 shall annually establish rules and regulations for the
24 administration of the funds created by this act and for the
25 transactions of its business. Such rules and regulations shall be
26 consistent with those adopted by the other pension funds within
27 the Division of Pensions in order to permit the most economical
28 and uniform administration of all such retirement systems.

29 i. The actuary of the fund shall be [designated] selected by the
30 [State Treasurer after consultation with the Director of the
31 Division of Pensions, subject to veto by the board for valid
32 reason] ²[board in a manner similar to the invitation to bids and
33 the evaluation procedure used by the General Services
34 Administration and the Division of Pensions for the contract in
35 effect on the effective date of P.L. , c. (C.) (now pending
36 before the Legislature as this bill)] State Treasurer after
37 consultation with the Director of the Division of Pensions and
38 Benefits, subject to veto by the board for valid reason². He shall
39 be the technical adviser of the board on matters regarding the
40 operation of the funds created by the provisions of this act and
41 shall perform such other duties as are required in connection
42 herewith.

43 j. The Attorney General shall be the legal adviser of the
44 retirement system, except that if the ²[board] Attorney General²
45 determines that a conflict of interest would affect the ability of
46 the Attorney General to represent the board on a matter
47 affecting the retirement system ²[or if the Attorney General
48 refuses to represent the board]², the board may select and
49 employ legal counsel to advise and represent the board on that
50 matter.

51 k. The Chief of the Bureau of Police and Fire Funds of the
52 Division of Pensions of the State Department of the Treasury
53 shall be the secretary of the board.

54 l. The board of trustees shall keep a record of all of its

1 proceedings which shall be open to public inspection. The
2 retirement system shall publish annually a report showing the
3 fiscal transactions of the retirement system for the preceding
4 year, the amount of the accumulated cash and securities of the
5 system and the last balance sheet showing the financial condition
6 of the system by means of an actuarial valuation of the assets
7 and liabilities of the retirement system.

8 m. The State Treasurer shall designate a medical board after
9 consultation with the Director of the Division of Pensions,
10 subject to veto by the board of trustees for valid reason. It shall
11 be composed of three physicians. The medical board shall pass on
12 all medical examinations required under the provisions of this
13 act, and shall report in writing to the retirement system its
14 conclusions and recommendations upon all matters referred to it.

15 n. (Deleted by amendment, P.L.1987, c.330)
16 (cf: P.L.1987, c.330, s.3)

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

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

21 a. Upon the basis of [such] the tables recommended by the
22 actuary [as] which the board adopts and regular interest, the
23 actuary shall compute annually the amount of the contribution,
24 expressed as a proportion of the salaries paid to all members,
25 which, if paid monthly during the entire prospective service of
26 the members, will be sufficient to provide for the pension
27 reserves required at the time of the discontinuance of active
28 service[,] to cover all pensions to which they may be entitled or
29 which are payable on their account and to provide for the amount
30 of the death and accidental disability benefits payable on their
31 account, which amount is not covered by other contributions to
32 be made as provided in this section and the funds in hand
33 available for such benefits. This shall be known as the "normal
34 contribution." The actuary shall redetermine the normal
35 contributions for the retirement system as of June 30, 1990 and
36 June 30, 1991.

37 b. Upon the basis of [such] the tables recommended by the
38 actuary [as] which the board adopts[,] and regular interest, the
39 actuary shall compute the amount of the unfunded liability [as of
40 June 30, 1971 which has accrued on the basis of service rendered
41 prior to July 1, 1971 by all members, including the amount of the
42 liability accrued by reason of allowances to be granted on
43 account of services rendered by members of the former "State
44 Police Retirement and Benevolent Fund" which has not already
45 been covered by previous State contributions to the former
46 system, including the accrued liabilities established by chapter 89
47 of the laws of 1965 and the additional liabilities created by the
48 provisions of this amendatory act] ²[, beginning with the
49 valuation]² as of June 30, 1990, ²[or for any subsequent valuation
50 following a significant change in benefits or actuarial
51 assumptions as determined by the board of trustees after
52 consultation with the Director of the Division of Pensions and the
53 actuary,]² which is not already covered by the assets of the
54 retirement system, valued in accordance with an asset valuation

1 method adopted by the ²[board of trustees] State Treasurer²
2 after consultation with the Directors of the Divisions of
3 Investment and Pensions ², the board of trustees² and the actuary
4 which shall reasonably reflect the market value of the assets, and
5 by prospective employer normal contributions and employee
6 contributions. Using the total amount of this unfunded accrued
7 liability [he shall compute the amount of the flat annual payment,
8 which, if paid in each succeeding fiscal year, commencing with
9 July 1, 1972, for a period of 40 years, will provide for], the
10 actuary shall determine a rate of contribution that shall be an
11 initial amount of contribution divided by the compensation of all
12 active members for the valuation period where, if the
13 contribution is increased annually for a specific period of time, it
14 will amortize this liability. The ²[board of trustees] State
15 Treasurer² shall determine, upon the advice of the Director of
16 the Division of Pensions ², the board of trustees² and the
17 actuary, the rate of increase for the contribution and the time
18 period for full funding of this liability, which shall not exceed
19 40 years. This shall be known as the "accrued liability
20 contribution rate." ²[The accrued liability contribution rate shall
21 remain constant unless it is redetermined following a significant
22 change in benefits or actuarial assumptions.]² The actuary shall
23 compute annually an amount of contribution based upon the total
24 compensation of all members in active service and the accrued
25 liability contribution rate. This shall be known as the "accrued
26 liability contribution."

27 The value of the assets for the valuation period ending June 30,
28 1990 shall be the full market value of the assets as of that date.
29 ²[The value of the assets for the valuation period ending June 30,
30 1991 shall be the value of the assets for the preceding valuation
31 period plus 20% of the difference between this preceding value,
32 and the preceding value plus interest on the preceding value at
33 the rate of 8.75%, plus the difference between the benefits paid
34 by the system and the contributions to the system during the
35 valuation period plus interest on the difference at the rate of 4
36 3/8%.] The value of the assets for the valuation period ending
37 June 30, 1991 shall be the value of the assets for the preceding
38 valuation period increased by 8 3/4%, plus the net cash flow for
39 the valuation period (the difference between the benefits paid by
40 the system and the contributions to the system) increased by 4
41 3/8%, plus 20% of the difference between this expected value and
42 the full market value of the assets as of June 30, 1991.²

43 The tables of actuarial assumptions previously adopted by the
44 board of trustees for the valuation periods ending June 30, 1990
45 and June 30, 1991 shall be applicable to the revaluations of the
46 retirement system under P.L. , c. (C.) (now pending before
47 the Legislature as this bill), except that the assumptions for
48 salary increases, medical premium inflation and increases in
49 pension adjustment benefits shall be those proposed by the
50 actuary to the retirement system in the draft revision of the
51 annual actuarial reports for the valuation periods ending June 30,
52 1990 and June 30, 1991 submitted by the actuary on April 27,
53 1992.

54 An annual employer contribution for valuation years 1990 and

1 1991 is not required if the actuarial value of the assets exceeds
2 the sum of the entry-age accrued liability and the normal
3 contribution for those valuation years.

4 c. The actuary shall certify annually the aggregate amount
5 payable to the Contingent Reserve Fund in the ensuing year,
6 which amount shall be equal to the sum of the proportion of the
7 earnable salary of all members, computed as described in
8 subsection a. hereof and of the State's accrued liability
9 contribution, payable in the ensuing year, as described in
10 subsection b. hereof. The State shall pay into the Contingent
11 Reserve Fund during the ensuing year the amount so [determined]
12 certified. In the event the amount certified to be paid by the
13 State includes amounts due for services rendered by members to
14 specific instrumentalities or authorities the total amounts so
15 certified shall be paid to the retirement system by the State;
16 provided, however, the full cost attributable to such services
17 rendered to such instrumentalities and authorities shall be
18 computed separately by the actuary and the State shall be
19 reimbursed for such amounts by such instrumentalities or
20 authorities.

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

25 (cf: P.L.1980, c.55, s.5)

26 30. (New section) Pension adjustment benefits for members
27 and beneficiaries of the State Police Retirement System provided
28 by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1
29 et seq.) and premiums or periodic charges which the State is
30 required to pay for benefits provided to retired State employees
31 and their dependents under the "New Jersey State Health
32 Benefits Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.),
33 shall be paid by the retirement system from the contingent
34 reserve fund or other fund or trust, established under the
35 jurisdiction of the board of trustees, which shall receive
36 contributions only to the extent that contributions cannot
37 otherwise be made to a section 401 (h) account due to the
38 requirements of subsection (h) of section 401 of the federal
39 Internal Revenue Code of 1986, 26 U.S.C.§401. Any premium
40 payments for retired participants shall first be a charge upon
41 such other fund or trust and only secondarily on the assets set
42 aside under subsection (h) of section 401 of the federal Internal
43 Revenue Code of 1986, 26 U.S.C.§401. The pension adjustment
44 benefits and premiums for health care benefits for qualified
45 retirees shall be funded as employer obligations in a similar
46 manner to that provided for the funding of employer obligations
47 for the retirement benefits provided by the retirement system.
48 The funding ¹[may] shall¹ be phased in as determined by the
49 board of trustees after consultation with the Director of the
50 Division of Pensions and the actuary, except that: a. the
51 phase-in period shall begin with valuation year 1993 and shall
52 ²[not exceed] be² 25 years, and b. any reduction in contributions
53 from recognition of the full market value of the assets as of
54 June 30, 1990 over the adjusted book value of the assets written

1 up by 60% of the excess of market value over adjusted book value
2 as of June 30, 1990 in a fashion similar to that presented in the
3 draft revision of the annual actuarial reports for the valuation
4 periods ending June 30, 1990 and June 30, 1991 submitted by the
5 actuary on April 27, 1992 shall be used to accelerate the funding
6 of the liabilities for pension adjustment benefits and health care
7 benefits. The board of trustees shall determine the assumed
8 percentage rate of increase applied to the cost of providing paid
9 health benefits for retirees.

10 31. (New section) Notwithstanding the provisions of the
11 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.),
12 pension adjustment benefits provided under that act for members
13 and beneficiaries of the State Police Retirement System shall be
14 paid by the retirement system.

15 32. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
16 read as follows:

17 5. There is hereby established in the Division of Investment a
18 State Investment Council which shall consist of [10] 11 members.

19 [Within 10 days after the effective date of this act each] Each
20 of the following agencies, namely, the Board of Trustees of the
21 Public Employees' Retirement System, the Board of Trustees of the
22 State Police Retirement System, the Board of Trustees of the
23 Teachers' Pension and Annuity Fund, the Board of Trustees of the
24 Police and Firemen's Retirement System of New Jersey and
25 the Consolidated Police and Firemen's Pension Fund Commission,
26 shall designate one of their members to serve as a member of the
27 State Investment Council herein established. The 5 members of
28 the council so selected shall serve as such for a period of 1 year
29 from the date of their selection and until their respective
30 successors are in like manner selected. [Each] Five of the
31 remaining [5] members of the State Investment Council shall be
32 appointed by the Governor, with the advice and consent of the
33 Senate, for a term of 5 years and shall serve until his successor is
34 appointed and has qualified[; except that of the first
35 appointments to be made by the Governor hereunder, one shall be
36 for a term of 1 year, one for a term of 2 years, one for a term of
37 3 years, one for a term of 4 years, and one for a term of 5 years,
38 and they shall serve until their respective successors are
39 appointed and have qualified. The term of each of the members
40 first appointed hereunder by the Governor shall be designated by
41 the Governor]. One member of the State Investment Council
42 shall be appointed by the Governor from among three persons
43 nominated jointly by the President of the Senate and the Speaker
44 of the General Assembly and shall serve for a term of 5 years and
45 until the member's successor is appointed and has qualified.

46 At least [3] 4 of the [5] 6 members appointed by the Governor
47 to the council shall be qualified by training and experience in the
48 field of investment and finance. No member of the State
49 Investment Council shall hold any office, position or employment
50 in any political party nor shall any such member benefit directly
51 or indirectly from any transaction made by the Director of the
52 Division of Investment provided for herein.

53 The members of the council shall elect annually from their
54 number a chairman of such council. Any member of the council

1 so elected shall serve as such chairman for a term of 1 year and
2 until his successor is, in like manner, elected. The chairman of
3 the council shall be its presiding officer.

4 The members of the council shall serve without compensation
5 but shall be reimbursed for necessary expenses incurred in the
6 performance of their duties as approved by the chairman of the
7 council.

8 Each member of the council, except the member appointed
9 from among persons nominated by the President of the Senate
10 and the Speaker of the General Assembly, may be removed from
11 office by the Governor, for cause, upon notice and opportunity to
12 be heard at a public hearing. Any vacancy in the membership of
13 the council occurring other than by expiration of term shall be
14 filled in the same manner as the original appointment, but for the
15 unexpired term only.

16 (cf: P.L.1966, c.189, s.1)

17 33. (New section) Any reduction in employer contributions to
18 the Teachers' Pension and Annuity Fund, the Judicial Retirement
19 System, the Public Employees' Retirement System, the
20 Consolidated Police and Firemen's Pension Fund, the Police and
21 Firemen's Retirement System, and the State Police Retirement
22 System as a result of the revaluation of these retirement systems
23 under this act for the 1992 fiscal year shall be refunded to the
24 State ¹[or credited against future State contributions to the
25 retirement systems] ²[on but not before July 1] on or before
26 June 30², 1992¹.

27 In the case of payments of contributions to the Teachers'
28 Pension and Annuity Fund, any such refund ¹[or credit]¹ to the
29 State shall not apply to or affect any reimbursements made to
30 boards of education for pension contributions for school year
31 1991-1992.

32 ²Notwithstanding the provisions of section 3 of P.L.1990, c.52
33 (C.18A:7D-3), maximum Statewide foundation aid for the purpose
34 of computing each district's foundation aid for the 1992-93
35 school year shall equal \$2,370,546,000.

36 Notwithstanding the provisions of section 6 of P.L.1990, c.52
37 (C.18A:7D-6), each district's maximum foundation budget shall
38 be reduced by the amount of the anticipated pension aid payable
39 to the school district for the 1992-93 school year pursuant to the
40 notices provided to each district on January 28, 1992.²

41 34. (New section) Any payment of contributions to a
42 retirement system or pension fund required to be made by the
43 State ²[on July 1, 1992] for fiscal year 1992² shall be due no later
44 than June 30, ²[1993,] 1992, any payment of contributions to a
45 retirement system or pension fund required to be made by the
46 State for fiscal year 1993 shall be due no later than June 30,
47 1993,² and any payment of contributions to a retirement system
48 or pension fund required to be made by any employer other than
49 the State on July 1, 1992 shall be due no later than April 1, 1993.

50 35. (New section) The service of the trustees appointed by the
51 Governor to the board of trustees of the Police and Firemen's
52 Retirement System, the Public Employees' Retirement System,
53 the State Police Retirement System, and the Teachers' Pension
54 and Annuity Fund, and of the members appointed by the Governor

1 to the Consolidated Police and Firemen's Pension Fund
2 Commission, shall terminate at the end of the sixth calendar
3 month following the effective date of P.L. , c. (C.) (now
4 pending before the Legislature as this bill).

5 36. (New section) The Division of Pensions in the Department
6 of the Treasury, created and established by P.L.1955, c.70
7 (C.52:18A-95 et seq.), shall be known and be referred to as the
8 Division of Pensions and Benefits. Any reference in a law, rule,
9 regulation, judicial or administrative proceeding, or otherwise to
10 the Division of Pensions shall mean and refer to the Division of
11 Pensions and Benefits.

12 37. (New section) The members of the State Investment
13 Council serving on the effective date of P.L. , c. (C.) (now
14 pending before the Legislature as this bill) shall continue in their
15 terms of office, but each appointment by the Governor to the
16 State Investment Council following that effective date shall be
17 subject to the advice and consent of the Senate.

18 38. (New section) No present or future retirees of the
19 Teachers' Pension and Annuity Fund, the Judicial Retirement
20 System, the Public Employees' Retirement System, the
21 Consolidated Police and Firemen's Pension Fund, the Police and
22 Firemen's Retirement System, or the State Police Retirement
23 System shall receive any reduction in benefits or incur any
24 additional costs as a result of the provisions of P.L. , c.
25 (C.) (now pending before the Legislature as this bill).

26 ²39. (New section) Notwithstanding the provisions of section
27 29 of P.L.1992, c. (now pending as Senate Bill No. 1000 (1R)),
28 an amount not less than \$769,000,000 refunded to the State from
29 the retirement systems pursuant to section 33 of P.L.1992, c.
30 (now pending as this bill) shall be reflected as a resource to the
31 General Fund for fiscal year 1993 on July 1, 1992.²

32 ¹[40.] ²[39.1] ^{40.2} Section 12 of P.L.1966, c.67 (C.43:15A-37.1)
33 is repealed.

34 ¹[41.] ²[40.1] ^{41.2} This act shall take effect immediately.

35

36

37

38

39 Provides for revaluation of the various State-administered
40 retirement systems; makes certain changes in governance of
41 retirement systems.

SENATE, No. 540

STATE OF NEW JERSEY

INTRODUCED MARCH 12, 1992

By Senators INVERSO and LITTELL

1 AN ACT concerning revaluation of certain State retirement
2 systems, amending various parts of the statutory law, and
3 repealing section 12 of P.L.1966, c.67.

4

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

7 1. N.J.S.18A:66-2 is amended to read as follows:

8 18A:66-2. As used in this article:

9 a. "Accumulated deductions" means the sum of all the
10 amounts, deducted from the compensation of a member or
11 contributed by or in behalf of the member, including interest
12 credited to January 1, 1956, standing to the credit of the
13 member's individual account in the annuity savings fund.

14 b. "Annuity" means payments for life derived from the
15 accumulated deductions of a member as provided in this article.

16 c. "Beneficiary" means any person receiving a retirement
17 allowance or other benefit as provided in this article.

18 d. "Compensation" means the contractual salary, for services
19 as a teacher as defined in this article, which is in accordance
20 with established salary policies of the member's employer for all
21 employees in the same position but shall not include individual
22 salary adjustments which are granted primarily in anticipation of
23 the member's retirement or additional remuneration for
24 performing temporary or extracurricular duties beyond the
25 regular school day or the regular school year.

26 e. "Employer" means the State, the board of education or any
27 educational institution or agency of or within the State by which
28 a teacher is paid.

29 f. "Final compensation" means the average annual
30 compensation for which contributions are made for the three
31 years of creditable service in New Jersey immediately preceding
32 the member's retirement or death, or it shall mean the average
33 annual compensation for New Jersey service for which
34 contributions are made during any three fiscal years of his or her
35 membership providing the largest possible benefit to the member
36 or the member's beneficiary.

37 g. "Fiscal year" means any year commencing with July 1, and
38 ending with June 30, next following.

39 h. "Pension" means payments for life derived from
40 appropriations made by the State or employers to the Teachers'
41 Pension and Annuity Fund.

42 i. "Annuity reserve" means the present value of all payments
43 to be made on account of any annuity or benefit in lieu of an

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 annuity, granted under the provisions of this article, computed on
2 the basis of such mortality tables recommended by the actuary as
3 the board of trustees adopts, with regular interest.

4 j. "Pension reserve" means the present value of all payments
5 to be made on account of any pension or benefit in lieu of a
6 pension granted to a member from the Teachers' Pension and
7 Annuity Fund, computed on the basis of such mortality tables
8 recommended by the actuary as the board of trustees adopts,
9 with regular interest.

10 k. "Present-entrant" means any member of the Teachers'
11 Pension and Annuity Fund who had established status as a
12 "present-entrant member" of said fund prior to January 1, 1956.

13 l. "Rate of contribution initially certified" means the rate of
14 contribution certified by the retirement system in accordance
15 with N.J.S.18A:66-29.

16 m. "Regular interest" shall mean [interest as] the assumed
17 rate of return on investments of the assets of the retirement
18 system used to determine the present value of the liabilities of
19 the system, which rate shall bear a reasonable relationship to the
20 percentage rate of earnings on the assets based upon the market
21 value of the assets and shall be determined [annually] by the
22 State Treasurer after consultation with the directors of the
23 Divisions of Investment and Pensions and the actuary of the
24 [fund] system. [It shall bear a reasonable relationship to the
25 percentage rate of earnings on investments but shall not exceed
26 105% of such percentage rate.]

27 n. "Retirement allowance" means the pension plus the annuity.

28 o. "School service" means any service as a "teacher" as
29 defined in this section.

30 p. "Teacher" means any regular teacher, special teacher,
31 helping teacher, teacher clerk, principal, vice-principal,
32 supervisor, supervising principal, director, superintendent, city
33 superintendent, assistant city superintendent, county
34 superintendent, State Commissioner or Assistant Commissioner
35 of Education, members of the State Department of Education
36 who are certificated, unclassified professional staff and other
37 members of the teaching or professional staff of any class, public
38 school, high school, normal school, model school, training school,
39 vocational school, truant reformatory school, or parental school,
40 and of any and all classes or schools within the State conducted
41 under the order and superintendence, and wholly or partly at the
42 expense of the State Board of Education, of a duly elected or
43 appointed board of education, board of school directors, or board
44 of trustees of the State or of any school district or normal school
45 district thereof, and any persons under contract or engagement to
46 perform one or more of these functions. It shall also mean any
47 person who serves, while on an approved leave of absence from
48 regular duties as a teacher, as an officer of a local, county or
49 State labor organization which represents, or is affiliated with an
50 organization which represents, teachers as defined in this
51 subsection. No person shall be deemed a teacher within the
52 meaning of this article who is a substitute teacher. In all cases of
53 doubt the board of trustees shall determine whether any person is
54 a teacher as defined in this article.

1 q. "Teachers' Pension and Annuity Fund," hereinafter referred
2 to as the "retirement system" or "system," is the corporate name
3 of the arrangement for the payment of retirement allowances and
4 other benefits under the provisions of this article, including the
5 several funds placed under said system. By that name all its
6 business shall be transacted, its funds invested, warrants for
7 money drawn, and payments made and all of its cash and
8 securities and other property held.

9 r. "Veteran" means any honorably discharged officer, soldier,
10 sailor, airman, marine or nurse who served in any Army, Air
11 Force or Navy of the Allies of the United States in World War I
12 between July 14, 1914, and November 11, 1918, or who served in
13 any Army, Air Force or Navy of the Allies of the United States in
14 World War II, between September 1, 1939, and September 2, 1945,
15 and who was inducted into such service through voluntary
16 enlistment, and was a citizen of the United States at the time of
17 such enlistment, and who did not, during or by reason of such
18 service, renounce or lose United States citizenship, and any
19 officer, soldier, sailor, marine, airman, nurse or army field clerk
20 who has served in the active military or naval service of the
21 United States and has or shall be discharged or released
22 therefrom under conditions other than dishonorable, in any of the
23 following wars, uprisings, insurrections, expeditions or
24 emergencies, and who has presented to the retirement system
25 evidence of such record of service in form and content
26 satisfactory to said retirement system:

27 (1) The Indian wars and uprisings during any of the periods
28 recognized by the War Department of the United States as
29 periods of active hostility;

30 (2) The Spanish-American War between April 20, 1898, and
31 April 11, 1899;

32 (3) The Philippine insurrections and expeditions during the
33 periods recognized by the War Department of the United States
34 as of active hostility from February 4, 1899, to the end of 1913;

35 (4) The Peking relief expedition between June 20, 1900, and
36 May 27, 1902;

37 (5) The army of Cuban occupation between July 18, 1898, and
38 May 20, 1902;

39 (6) The army of Cuban pacification between October 6, 1906,
40 and April 1, 1909;

41 (7) The Mexican punitive expedition between March 14, 1916,
42 and February 7, 1917;

43 (8) The Mexican border patrol, having actually participated in
44 engagements against Mexicans between April 12, 1911, and June
45 16, 1919;

46 (9) World War I, between April 6, 1917, and November 11, 1918;

47 (10) World War II, between September 16, 1940, and
48 December 31, 1946, who shall have served at least 90 days in such
49 active service, exclusive of any period of assignment (1) for a
50 course of education or training under the Army Specialized
51 Training Program or the Navy College Training Program, which
52 course was a continuation of a civilian course and was pursued to
53 completion, or (2) as a cadet or midshipman at one of the service
54 academies,

1 any part of which 90 days was served between said dates;
2 provided that any person receiving an actual service-incurred
3 injury or disability shall be classed as a veteran, whether or not
4 that person has completed the 90-day service as herein provided;

5 (11) Korean conflict on or after June 23, 1950, and on or prior
6 to January 31, 1955, who shall have served at least 90 days in
7 such active service, exclusive of any period of assignment (1) for
8 a course of education or training under the Army Specialized
9 Training Program or the Navy College Training Program, which
10 course was a continuation of a civilian course and was pursued to
11 completion, or (2) as a cadet or midshipman at one of the service
12 academies, any part of which 90 days was served between said
13 dates; provided that any person receiving an actual
14 service-incurred injury or disability shall be classed as a veteran,
15 whether or not that person has completed the 90-day service as
16 herein provided; and provided further that any member classed as
17 a veteran pursuant to this subsection prior to August 1, 1966,
18 shall continue to be classed as a veteran, whether or not that
19 person completed the 90-day service between said dates as
20 herein provided;

21 (12) Vietnam conflict, on or after December 31, 1960, and on
22 or prior to May 7, 1975, who shall have served at least 90 days in
23 such active service, exclusive of any period of assignment (1) for
24 a course of education or training under the Army Specialized
25 Training Program or the Navy College Training Program, which
26 course was a continuation of a civilian course and was pursued to
27 completion, or (2) as a cadet or midshipman at one of the service
28 academies, any part of which 90 days was served between said
29 dates; and exclusive of any service performed pursuant to the
30 provisions of section 511(d) of Title 10, United States Code,
31 pursuant to an enlistment in the Army National Guard or as a
32 reserve for service in the Army Reserve, Naval Reserve, Air
33 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
34 provided that any person receiving an actual service-incurred
35 injury or disability shall be classed as a veteran, whether or not
36 that person has completed the 90-day service as herein provided;

37 (13) Lebanon peacekeeping mission, on or after September 26,
38 1982, who has served in Lebanon or on board any ship actively
39 engaged in patrolling the territorial waters of that nation for a
40 period, continuous or in the aggregate, of at least 14 days
41 commencing on or before the date of termination of that mission,
42 as proclaimed by the President of the United States, Congress or
43 the Governor, whichever date of termination is the latest, in such
44 active service; provided, that any person receiving an actual
45 service-incurred injury or disability shall be classed as a veteran
46 whether or not that person has completed the 14 days service as
47 herein provided;

48 (14) Grenada peacekeeping mission, on or after October 25,
49 1983, who has served in Grenada or on board any ship actively
50 engaged in patrolling the territorial waters of that nation for a
51 period, continuous or in the aggregate, of at least 14 days
52 commencing on or before the date of termination of that mission,
53 as proclaimed by the President of the United States, Congress or
54 the Governor, whichever date of termination is the latest, in such

1 active service; provided, that any person receiving an actual
2 service-incurred injury or disability shall be classed as a veteran
3 whether or not that person has completed the 14 days service as
4 herein provided;

5 (15) Panama peacekeeping mission, on or after the date of
6 inception of that mission, as proclaimed by the President of the
7 United States, Congress or the Governor, whichever date of
8 inception is earliest, who has served in Panama or on board any
9 ship actively engaged in patrolling the territorial waters of that
10 nation for a period, continuous or in the aggregate, of at least 14
11 days commencing on or before the date of termination of that
12 mission, as proclaimed by the President of the United States,
13 Congress or the Governor, whichever date of termination is the
14 latest, in such active service; provided, that any person receiving
15 an actual service-incurred injury or disability shall be classed as
16 a veteran whether or not that person has completed the 14 days
17 service as herein provided;

18 (16) Operation "Desert Shield/Desert Storm" mission in the
19 Arabian peninsula and the Persian Gulf, on or after the date of
20 inception of that operation, as proclaimed by the President of the
21 United States, Congress or the Governor, whichever date of
22 inception is earliest, who has served in the Arabian peninsula or
23 on board any ship actively engaged in patrolling the Persian Gulf
24 for a period, continuous or in the aggregate, of at least 14 days
25 commencing on or before the date of termination of that mission,
26 as proclaimed by the President of the United States, Congress or
27 the Governor, whichever date of termination is the latest, in such
28 active service; provided, that any person receiving an actual
29 service-incurred injury or disability shall be classed as a veteran
30 whether or not that person has completed the 14 days service as
31 herein provided.

32 s. "Child" means a deceased member's unmarried child either
33 (a) under the age of 18 or (b) of any age who, at the time of the
34 member's death, is disabled because of mental retardation or
35 physical incapacity, is unable to do any substantial, gainful work
36 because of the impairment and the impairment has lasted or can
37 be expected to last for a continuous period of not less than
38 12 months, as affirmed by the medical board.

39 t. "Widower" means the man to whom a member was married
40 at least five years before the date of her death and to whom she
41 continued to be married until the date of her death and who was
42 receiving at least one-half of his support from the member in the
43 12-month period immediately preceding the member's death or
44 the accident which was the direct cause of the member's death.
45 The dependency of such a widower will be considered terminated
46 by marriage of the widower subsequent to the death of the
47 member. In the event of the payment of an accidental death
48 benefit, the five-year qualification shall be waived.

49 u. "Widow" means the woman to whom a member was married
50 at least five years before the date of his death and to whom he
51 continued to be married until the date of his death and who was
52 receiving at least one-half of her support from the member in the
53 12-month period immediately preceding the member's death or
54 the accident which was the direct cause of the member's death.

1 The dependency of such a widow will be considered terminated by
2 the marriage of the widow subsequent to the member's death. In
3 the event of the payment of an accidental death benefit, the
4 five-year qualification shall be waived.

5 v. "Parent" means the parent of a member who was receiving
6 at least one-half of the parent's support from the member in the
7 12-month period immediately preceding the member's death or
8 the accident which was the direct cause of the member's death.
9 The dependency of such a parent will be considered terminated by
10 marriage of the parent subsequent to the death of the member.

11 w. "Medical board" means the board of physicians provided for
12 in N.J.S.18A:66-56.

13 (cf: P.L.1991, c.390, s.2)

14 2. N.J.S.18A:66-18 is amended to read as follows:

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

18 a. Upon the basis of [such] the tables recommended by the
19 actuary [as] which the board of trustees adopts[,] and regular
20 interest, the actuary of the board shall [compute annually the
21 amount of contribution, expressed as a proportion of the
22 compensation paid to all members, except veteran members who
23 were employed as teachers on January 1, 1955, which, if paid
24 monthly during the entire prospective service of such members,]
25 determine the uniform and constant percentage of compensation
26 of the average member of the retirement system, beginning with
27 the valuation as of March 31, 1990, or for any subsequent
28 valuation following a significant change in benefits or actuarial
29 assumptions as determined by the State Treasurer after
30 consultation with the Director of the Division of Pensions and the
31 actuary, which, if contributed annually on the compensation of
32 the member over the entire period of active service of the
33 average member, will be sufficient to provide for the pension
34 reserves required at the time of discontinuance of active
35 service[,] to cover all [pensions] pension and death benefits to
36 which [they] the average member may be entitled or which are
37 payable on [their] the average member's account[, and to provide
38 for the amount of the death and accidental disability benefits
39 payable on their account, and which amount is not covered by
40 other contributions to be made as provided in this section and the
41 funds in hand available for such benefits]. This shall be known as
42 the "normal contribution rate." The actuary shall compute
43 annually an amount of contribution based upon the total
44 compensation of all members in active service and the normal
45 contribution rate. This shall be known as the "normal
46 contribution."

47 b. Upon the basis of [such] the tables recommended by the
48 actuary [as] which the board of trustees adopts[,] and regular
49 interest, the actuary of the board shall compute the amount of
50 the unfunded liability [as of March 31, 1987 which has accrued on
51 the basis of service rendered prior to April 1, 1987 by all
52 members, except veteran members who were employed as
53 teachers on January 1, 1955, including the amount of the liability
54 accrued by reason of the establishment of class B credit by

1 nonveteran members which has not already been covered by State
2 contributions to the retirement system, and including the accrued
3 liabilities established by section 13 of chapter 66 of the laws of
4 1966], beginning with the valuation as of March 31, 1990, or for
5 any subsequent valuation following a significant change in
6 benefits or actuarial assumptions as determined by the State
7 Treasurer after consultation with the Director of the Division of
8 Pensions and the actuary, excluding the liability for pension
9 adjustment benefits and post-retirement medical benefits for
10 active employees funded pursuant to section 2 of P.L.1987, c.385
11 (C.18A:66-18.1), which is not already covered by the assets of the
12 retirement system, valued in accordance with an asset valuation
13 method adopted by the State Treasurer after consultation with
14 the Directors of the Divisions of Investment and Pensions and the
15 actuary which shall reasonably reflect the market value of the
16 assets, and by prospective employer normal contributions and
17 employee contributions. Using the total amount of this unfunded
18 accrued liability, [he shall compute the amount of the annual
19 payments which, if paid in each succeeding fiscal year
20 commencing with July 1, 1987, for a period which the State
21 Treasurer shall determine upon the advice of the director of the
22 Division of Pensions, but not exceeding 40 years, will provide for]
23 the actuary shall determine a rate of contribution that shall be an
24 initial amount of contribution divided by the compensation of all
25 active members for the valuation period where, if the
26 contribution is increased annually for a specific period of time, it
27 will amortize this liability. The State Treasurer shall determine,
28 after consultation with the Director of the Division of Pensions
29 and the actuary, the rate of increase for the contribution and the
30 time period for full funding of this liability, which shall not
31 exceed 40 years. This shall be known as the "accrued liability
32 contribution rate." The accrued liability contribution rate shall
33 remain constant unless it is redetermined following a significant
34 change in benefits or actuarial assumptions as provided in this
35 subsection or the rate is insufficient to amortize the unfunded
36 accrued liability in 40 years. If the rate is insufficient for any
37 annual valuation period, it shall be redetermined for that
38 valuation period and subsequent valuation periods so that the
39 revised rate will be sufficient to pay the unfunded accrued
40 liability in 40 years. The actuary shall compute annually an
41 amount of contribution based upon the total compensation of all
42 members in active service and the accrued liability contribution
43 rate. This shall be known as the "accrued liability contribution."

44 c. [Upon the basis of such tables recommended by the actuary
45 as the board of trustees adopts, and regular interest, the actuary
46 of the board shall compute annually the amount of the total
47 liability for past service and all prospective service for veteran
48 members who were employed as teachers on January 1, 1955,
49 which has not already been covered by State and employer
50 contributions to the retirement system and, except as provided by
51 section 18A:66-70, by past or prospective contributions by such
52 veteran members and which will be sufficient to provide for the
53 pension reserves required at the time of discontinuance of active
54 service, to cover all pensions to which they may be entitled or

1 which are payable on their account, and to provide for the
2 amount of death and accidental disability benefits payable on
3 their account. Using the total amount of this liability remaining
4 as a basis, he shall compute the amount of the flat annual
5 payment, which, if paid in each succeeding fiscal year
6 commencing with July 1, 1957, for a period of 30 years, will
7 provide for this liability.] If there is no unfunded accrued
8 liability for a valuation period, the normal contribution rate shall
9 be revised so that if it is applied to the compensation of all
10 active members during the entire period of their prospective
11 service, it will be sufficient to fund the liability of the
12 retirement system not already covered by the assets of the
13 system, valued in accordance with the valuation method adopted
14 by the State Treasurer as provided in subsection b., and by
15 prospective employee contributions. The normal contribution
16 rate shall continue to be determined as provided in this
17 subsection for each succeeding valuation period unless the normal
18 contribution rate is redetermined as provided in subsection a. An
19 annual employer contribution is not required if the actuarial
20 value of the assets exceeds the sum of the entry-age accrued
21 liability and the normal contribution for the valuation period.

22 d. The retirement system shall certify annually the aggregate
23 amount payable to the contingent reserve fund in the ensuing
24 year, which amount shall be equal to the sum of the amounts
25 described in this section, and which shall be paid into the
26 contingent reserve fund in the manner provided by section
27 18A:66-33.

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

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

35 (cf: P.L.1987, c.385, s.1)

36 3. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to
37 read as follows:

38 2. Pension adjustment benefits for members and beneficiaries
39 of the Teachers' Pension and Annuity Fund as provided by the
40 "Pension Adjustment Act," P.L. 1969, c. 169 (C. 43:3B-1 et seq.)
41 and health care benefits for qualified retirees and their
42 dependents as provided by P.L. 1987, c. 384 (C. 52:14-17.32f)
43 shall be paid by the retirement system from the contingent
44 reserve fund or other fund or trust which may be established for
45 this purpose and shall be funded as employer obligations [in a
46 similar manner to that provided for the funding of employer
47 obligations for the retirement benefits provided by the
48 retirement system] through the normal contribution or the
49 accrued liability contribution, and the funding may be phased in,
50 as provided by the State Treasurer after consultation with the
51 Director of the Division of Pensions and the actuary.

52 (cf: P.L.1987, c.385, s.2)

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

1 6. As used in this act:

2 a. "Accumulated deductions" means the sum of all the
3 amounts, deducted from the compensation of a member or
4 contributed by or on behalf of the member, standing to the credit
5 of the member's individual account in the annuity savings fund.

6 b. "Annuity" means payments for life derived from the
7 accumulated deductions of a member as provided in this act.

8 c. "Annuity reserve" means the present value of all payments
9 to be made on account of any annuity or benefit in lieu of an
10 annuity, granted under the provisions of this act, computed on the
11 basis of such mortality tables recommended by the actuary as the
12 board of trustees adopts, with regular interest.

13 d. "Beneficiary" means any person receiving a retirement
14 allowance or other benefit as provided in this act.

15 e. "Child" means a deceased member's unmarried child either
16 (1) under the age of 18 or (2) of any age who, at the time of the
17 member's death, is disabled because of mental retardation or
18 physical incapacity, is unable to do any substantial, gainful work
19 because of the impairment and the impairment has lasted or can
20 be expected to last for a continuous period of not less than
21 12 months, as affirmed by the medical board.

22 f. "Parent" shall mean the parent of a member who was
23 receiving at least 1/2 of the parent's support from the member
24 in the 12-month period immediately preceding the member's
25 death or the accident which was the direct cause of the
26 member's death. The dependency of such a parent will be
27 considered terminated by marriage of the parent subsequent to
28 the death of the member.

29 g. "Widower" means the man to whom a member was married
30 at least 5 years before the date of her death and to whom she
31 continued to be married until the date of her death and who was
32 receiving at least 1/2 of his support from the member in the
33 12-month period immediately preceding the member's death or
34 the accident which was the direct cause of the member's death.
35 The dependency of such a widower will be considered terminated
36 by marriage of the widower subsequent to the death of the
37 member. In the event of the payment of an accidental death
38 benefit, the 5-year qualification shall be waived.

39 h. "Final compensation" means the average annual
40 compensation for which contributions are made for the 3 years of
41 creditable service in New Jersey immediately preceding the
42 member's retirement or death, or it shall mean the average
43 annual compensation for New Jersey service for which
44 contributions are made during any 3 fiscal years of his or her
45 membership providing the largest possible benefit to the member
46 or the member's beneficiary.

47 i. "Fiscal year" means any year commencing with July 1 and
48 ending with June 30 next following.

49 j. "Medical board" shall mean the board of physicians provided
50 for in section 17 (C.43:15A-17).

51 k. "Pension" means payments for life derived from
52 appropriations made by the employer as provided in this act.

53 l. "Pension reserve" means the present value of all payments
54 to be made on account of any pension or benefit in lieu of a

1 pension granted under the provisions of this act, computed on the
2 basis of such mortality tables recommended by the actuary as the
3 board of trustees adopts, with regular interest.

4 m. "Public Employees' Retirement System of New Jersey,"
5 hereinafter referred to as the "retirement system" or "system,"
6 is the corporate name of the arrangement for the payment of
7 retirement allowances and other benefits under the provisions of
8 this act including the several funds placed under said system. By
9 that name all of its business shall be transacted, its funds
10 invested, warrants for money drawn, and payments made and all
11 of its cash and securities and other property held.

12 n. "Regular interest" shall mean [interest as] the assumed rate
13 of return on investments of the assets of the retirement system
14 used to determine the present value of the liabilities of the
15 system, which rate shall bear a reasonable relationship to the
16 percentage rate of earnings on the assets based upon the market
17 value of the assets and shall be determined [annually] by the
18 State Treasurer after consultation with the Directors of the
19 Divisions of Investment and Pensions and the actuary of the
20 system. [It shall bear a reasonable relationship to the percentage
21 rate of earnings on investments but shall not exceed 105% of such
22 percentage rate.]

23 o. "Retirement allowance" means the pension plus the annuity.

24 p. "Veteran" means any honorably discharged officer, soldier,
25 sailor, airman, marine or nurse who served in any Army, Air
26 Force or Navy of the Allies of the United States in World War I,
27 between July 14, 1914, and November 11, 1918, or who served in
28 any Army, Air Force or Navy of the Allies of the United States in
29 World War II, between September 1, 1939, and September 2, 1945,
30 and who was inducted into such service through voluntary
31 enlistment, and was a citizen of the United States at the time of
32 such enlistment, and who did not, during or by reason of such
33 service, renounce or lose United States citizenship, and any
34 officer, soldier, sailor, marine, airman, nurse or army field clerk,
35 who has served in the active military or naval service of the
36 United States and has or shall be discharged or released
37 therefrom under conditions other than dishonorable, in any of the
38 following wars, uprisings, insurrections, expeditions, or
39 emergencies, and who has presented to the retirement system
40 evidence of such record of service in form and content
41 satisfactory to said retirement system:

42 (1) The Indian wars and uprisings during any of the periods
43 recognized by the War Department of the United States as
44 periods of active hostility;

45 (2) The Spanish-American War between April 20, 1898, and
46 April 11, 1899;

47 (3) The Philippine insurrections and expeditions during the
48 periods recognized by the War Department of the United States
49 as of active hostility from February 4, 1899, to the end of 1913;

50 (4) The Peking relief expedition between June 20, 1900, and
51 May 27, 1902;

52 (5) The army of Cuban occupation between July 18, 1898, and
53 May 20, 1902;

54 (6) The army of Cuban pacification between October 6, 1906,

1 and April 1, 1909;

2 (7) The Mexican punitive expedition between March 14, 1916,
3 and February 7, 1917;

4 (8) The Mexican border patrol, having actually participated in
5 engagements against Mexicans between April 12, 1911, and June
6 16, 1919;

7 (9) World War I, between April 6, 1917, and November 11, 1918;

8 (10) World War II, between September 16, 1940, and
9 December 31, 1946, who shall have served at least 90 days in such
10 active service, exclusive of any period of assignment (1) for a
11 course of education or training under the Army Specialized
12 Training Program or the Navy College Training Program which
13 course was a continuation of a civilian course and was pursued to
14 completion, or (2) as a cadet or midshipman at one of the service
15 academies any part of which 90 days was served between said
16 dates; provided, that any person receiving an actual
17 service-incurred injury or disability shall be classed as a veteran
18 whether or not that person has completed the 90-day service as
19 herein provided;

20 (11) Korean conflict on or after June 23, 1950, and on or prior
21 to January 31, 1955, who shall have served at least 90 days in
22 such active service, exclusive of any period of assignment (1) for
23 a course of education or training under the Army Specialized
24 Training Program or the Navy College Training Program which
25 course was a continuation of a civilian course and was pursued to
26 completion, or (2) as a cadet or midshipman at one of the service
27 academies, any part of which 90 days was served between said
28 dates; provided, that any person receiving an actual
29 service-incurred injury or disability shall be classed as a veteran
30 whether or not that person has completed the 90-day service as
31 herein provided; and provided further, that any member classed
32 as a veteran pursuant to this subparagraph prior to August 1,
33 1966, shall continue to be classed as a veteran whether or not
34 that person completed the 90-day service between said dates as
35 herein provided;

36 (12) Vietnam conflict on or after December 31, 1960, and on
37 or prior to May 7, 1975, who shall have served at least 90 days in
38 such active service, exclusive of any period of assignment (1) for
39 a course of education or training under the Army Specialized
40 Training Program or the Navy College Training Program which
41 course was a continuation of a civilian course and was pursued to
42 completion, or (2) as a cadet or midshipman at one of the service
43 academies, any part of which 90 days was served between said
44 dates; and exclusive of any service performed pursuant to the
45 provisions of section 511(d) of Title 10, United States Code,
46 pursuant to an enlistment in the Army National Guard or as a
47 reserve for service in the Army Reserve, Naval Reserve, Air
48 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
49 provided, that any person receiving an actual service-incurred
50 injury or disability shall be classed as a veteran whether or not
51 that person has completed the 90 days service as herein provided;

52 (13) Lebanon peacekeeping mission, on or after September 26,
53 1982, who has served in Lebanon or on board any ship actively
54 engaged in patrolling the territorial waters of that nation for a

1 period, continuous or in the aggregate, of at least 14 days
2 commencing on or before the date of termination of that mission,
3 as proclaimed by the President of the United States, Congress or
4 the Governor, whichever date of termination is the latest, in such
5 active service; provided, that any person receiving an actual
6 service-incurred injury or disability shall be classed as a veteran
7 whether or not that person has completed the 14 days service as
8 herein provided;

9 (14) Grenada peacekeeping mission, on or after October 25,
10 1983, who has served in Grenada or on board any ship actively
11 engaged in patrolling the territorial waters of that nation for a
12 period, continuous or in the aggregate, of at least 14 days
13 commencing on or before the date of termination of that mission,
14 as proclaimed by the President of the United States, Congress or
15 the Governor, whichever date of termination is the latest, in such
16 active service; provided, that any person receiving an actual
17 service-incurred injury or disability shall be classed as a veteran
18 whether or not that person has completed the 14 days service as
19 herein provided;

20 (15) Panama peacekeeping mission, on or after the date of
21 inception of that mission, as proclaimed by the President of the
22 United States, Congress or the Governor, whichever date of
23 inception is earliest, who has served in Panama or on board any
24 ship actively engaged in patrolling the territorial waters of that
25 nation for a period, continuous or in the aggregate, of at least 14
26 days commencing on or before the date of termination of that
27 mission, as proclaimed by the President of the United States,
28 Congress or the Governor, whichever date of termination is the
29 latest, in such active service; provided, that any person receiving
30 an actual service-incurred injury or disability shall be classed as
31 a veteran whether or not that person has completed the 14 days
32 service as herein provided;

33 (16) Operation "Desert Shield/Desert Storm" mission in the
34 Arabian peninsula and the Persian Gulf, on or after the date of
35 inception of that operation, as proclaimed by the President of the
36 United States, Congress or the Governor, whichever date of
37 inception is earliest, who has served in the Arabian peninsula or
38 on board any ship actively engaged in patrolling the Persian Gulf
39 for a period, continuous or in the aggregate, of at least 14 days
40 commencing on or before the date of termination of that mission,
41 as proclaimed by the President of the United States, Congress or
42 the Governor, whichever date of termination is the latest, in such
43 active service; provided, that any person receiving an actual
44 service-incurred injury or disability shall be classed as a veteran
45 whether or not that person has completed the 14 days service as
46 herein provided.

47 q. "Widow" means the woman to whom a member was married
48 at least 5 years before the date of his death and to whom he
49 continued to be married until the date of his death and who was
50 receiving at least 1/2 of her support from the member in the
51 12-month period immediately preceding the member's death or
52 the accident which was the direct cause of the member's death.
53 The dependency of such a widow will be considered terminated by
54 the marriage of the widow subsequent to the member's death. In

1 the event of the payment of an accidental death benefit, the
2 5-year qualification shall be waived.

3 r. "Compensation" means the base or contractual salary, for
4 services as an employee, which is in accordance with established
5 salary policies of the member's employer for all employees in the
6 same position but shall not include individual salary adjustments
7 which are granted primarily in anticipation of the member's
8 retirement or additional remuneration for performing temporary
9 or extracurricular duties beyond the regular work day or the
10 regular work year. In cases where salary includes maintenance,
11 the retirement system shall fix the value of that part of the
12 salary not paid in money which shall be considered under this act.
13 (cf: P.L.1991, c.390, s.4)

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

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

19 a. Upon the basis of [such] the tables recommended by the
20 actuary [as] which the board adopts[,] and regular interest, the
21 actuary shall [compute annually the amount of contribution,
22 expressed as a proportion of the compensation paid to all
23 members, which, if paid monthly during the entire prospective
24 service of the members,] determine the uniform and constant
25 percentage of compensation of the average member of the
26 retirement system, beginning with the valuation as of March 31,
27 1990, or for any subsequent valuation following a significant
28 change in benefits or actuarial assumptions as determined by the
29 State Treasurer after consultation with the Director of the
30 Division of Pensions and the actuary, which, if contributed
31 annually on the compensation of the average member over the
32 entire period of active service of the average member, will be
33 sufficient to provide for the pension reserves required at the time
34 of discontinuance of active service, to cover all [pensions]
35 pension and death benefits to which [they] the average member
36 may be entitled or which are payable on [their] the average
37 member's account [and to provide for the amount of the death
38 and accidental disability benefits payable on their account, and
39 which amount is not covered by other contributions, to be made
40 as provided in this section and the funds in hand available for
41 such benefits]. This shall be known as the "normal contribution
42 rate." The actuary shall compute annually an amount of
43 contribution based upon the total compensation of all members in
44 active service and the normal contribution rate. This shall be
45 known as the "normal contribution."

46 b. Upon the basis of [such] the tables recommended by the
47 actuary [as] which the board adopts[,] and regular interest, the
48 actuary shall compute the amount of the unfunded liability [as of
49 March 31, 1988 which has accrued on the basis of service
50 rendered prior to April 1, 1988 by all members, including the
51 amount of the liability accrued by reason of allowance to be
52 granted on account of services rendered by State employee
53 veteran members as provided in section 60 of this act prior to the
54 establishment of the retirement system, which has not already

1 been covered by State contributions to the former "State
2 Employees' Retirement System," and including the accrued
3 liabilities established by section 12 of chapter 67 of the laws of
4 1966 (C.43:15A-37.1)], beginning with the valuation as of March
5 31, 1990, or for any subsequent valuation following a significant
6 change in benefits or actuarial assumptions as determined by the
7 State Treasurer after consultation with the Director of the
8 Division of Pensions and the actuary, excluding the liability for
9 pension adjustment benefits and post-retirement medical benefits
10 for active employees funded pursuant to section 6 of P.L.1990,
11 c.6 (C.43:15A-24.1), which is not already covered by the assets of
12 the retirement system, valued in accordance with an asset
13 valuation method adopted by the State Treasurer after
14 consultation with the Directors of the Divisions of Investment
15 and Pensions and the actuary which shall reasonably reflect the
16 market value of the assets, and by prospective employer normal
17 contributions and employee contributions. Using the total amount
18 of this unfunded accrued liability, [he shall compute the amount
19 of the annual payment, which, if paid in each succeeding fiscal
20 year commencing with July 1, 1989, for a period which the State
21 Treasurer shall determine upon the advice of the Director of the
22 Division of Pensions, but not exceeding 40 years, will provide for
23 this liability. The annual payment so computed and certified
24 shall be valued annually and any additional liability which has
25 accrued by reason of allowances to be granted on account of
26 services rendered by State employee veteran members as
27 provided in section 60 shall be added to the amount previously
28 certified so that the entire liability shall be paid within the
29 period determined by the State Treasurer, but not exceeding 40
30 years] the actuary shall determine a rate of contribution that
31 shall be an initial amount of contribution divided by the
32 compensation of all active members for the valuation period
33 where, if the contribution is increased annually for a specific
34 period of time, it will amortize this liability. The State
35 Treasurer shall determine, after consultation with the Director of
36 the Division of Pensions and the actuary, the rate of increase for
37 the contribution and the time period for full funding of this
38 liability, which shall not exceed 40 years. This shall be known as
39 the "accrued liability contribution rate." The accrued liability
40 contribution rate shall remain constant unless it is redetermined
41 following a significant change in benefits or actuarial
42 assumptions as provided in this subsection or the rate is
43 insufficient to amortize the unfunded accrued liability in 40
44 years. If the rate is insufficient for any annual valuation period,
45 it shall be redetermined for that valuation period and subsequent
46 valuation periods so that the revised rate will be sufficient to
47 amortize the unfunded accrued liability in 40 years. The actuary
48 shall compute annually an amount of contribution based upon the
49 total compensation of all members in active service and the
50 accrued liability contribution rate. This shall be known as the
51 "accrued liability contribution."

52 c. If there is no unfunded accrued liability for a valuation
53 period, the normal contribution rate shall be revised so that if it
54 is applied to the compensation of all active members

1 during the entire period of their prospective service, it will be
2 sufficient to fund the liability of the retirement system not
3 already covered by the assets of the system, valued in accordance
4 with the valuation method adopted by the State Treasurer as
5 provided in subsection b., and by prospective employee
6 contributions. The normal contribution rate shall continue to be
7 determined as provided in this subsection for each succeeding
8 valuation period unless the normal contribution rate is
9 redetermined as provided in subsection a. An annual employer
10 contribution is not required if the actuarial value of the assets
11 exceeds the sum of the entry-age accrued liability and the
12 normal contribution for the valuation period.

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

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

25 (cf: P.L.1990, c.6, s.1)

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

28 2. Pension adjustment benefits for members and beneficiaries
29 of the Public Employees' Retirement System provided by the
30 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.)
31 and premiums or periodic charges which the State is required to
32 pay for benefits provided to retired State employees and their
33 dependents under the "New Jersey State Health Benefits Program
34 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be paid by the
35 retirement system from the contingent reserve fund or other fund
36 or trust which may be established for this purpose and shall be
37 funded as employer obligations [in a similar manner to that
38 provided for the funding of employer obligations for the
39 retirement benefits provided by the retirement system] through
40 the normal contribution or the accrued liability contribution, and
41 the funding may be phased in, as determined by the State
42 Treasurer upon the advice of the Director of the Division of
43 Pensions and the actuary. The liability for pension adjustment
44 benefits and for premiums or periodic charges for health care
45 benefits for retired State employees and their dependents shall be
46 included as a liability of the retirement system as of April 1,
47 1988.

48 (cf: P.L.1990, c.6, s.2)

49 7. Section 68 of P.L.1954, c.84 (C.43:15A-68) is amended to
50 read as follows:

51 68. The Public Employees' Retirement System shall certify to
52 the chief fiscal officer of the employer the rates of contributions
53 payable by members. The system shall further certify the
54 contributions, including the accrued liability contribution similar

1 to the State accrued liability contribution, payable by the
2 employer to the contingent reserve fund on behalf of these
3 members, and a pro rata share of the cost of the administration
4 of the retirement system, based upon the payroll of the members
5 who are employees of the employer. The initial actuarial expense
6 incident to the determination of the accrued liability contribution
7 payable by the employer, shall be paid by the employer. The
8 amount certified by the system as payable by such employer to
9 the contingent reserve fund shall be included in the next budget
10 subsequent to the certification by the system. The treasurer or
11 corresponding officer shall pay on July 1 in each year to the State
12 Treasurer the amount of the employer's charges so certified. If
13 payment of the full amount of such obligation is not made within
14 30 days after July 1, interest at the rate of [6%] 10% per annum
15 shall commence to run against the unpaid balance thereof on the
16 first day after such thirtieth day. The treasurer or corresponding
17 officer shall also pay to the State Treasurer the amount of the
18 deductions from the compensation of the members who are
19 employees of the employer. The State Treasurer shall credit
20 these amounts to the appropriate fund or account.

21 (cf: P.L.1971, c.213, s.31)

22 8. Section 81 of P.L.1954, c.84 (C.43:15A-81) is amended to
23 read as follows:

24 81. The Public Employees' Retirement System shall certify to
25 each employer the rates of contributions payable by members
26 who are county, municipal or school district employees. The
27 system shall further certify the contributions, including the
28 accrued liability contribution similar to the State accrued
29 liability contribution, payable by the county, municipality or
30 school district to the contingent reserve fund on behalf of these
31 members, and a pro rata share of the cost of the administration
32 of the retirement system, based upon the payroll of the members
33 who are employees of the county, municipality or school district.
34 The initial actuarial expense incident to the determination of the
35 accrued liability contribution, payable by the county,
36 municipality or school district, shall be paid by the county,
37 municipality or school district. The amount certified by the
38 system as payable by the county, municipality or school district
39 to the contingent reserve fund shall be included in the next
40 budget subsequent to the certification by the system and levied
41 and collected as any other taxes are levied and collected. The
42 treasurer or corresponding officer of any county, municipality or
43 school district shall pay on or before July 1 in each year to the
44 State Treasurer the amount of the county, municipal or school
45 district charges so certified. If payment of the full amount of
46 such obligation is not made within 30 days after July 1, interest
47 at the rate of [6%] 10% per annum shall commence to run against
48 the unpaid balance thereof on the first day after such thirtieth
49 day. The treasurer or corresponding officer shall also pay to the
50 State Treasurer the amount of deductions from the compensation
51 of the members who are employees of the county, municipality or
52 school district. The State Treasurer shall credit these amounts to
53 the appropriate fund or account.

54 (cf: P.L.1971, c.213, s.34)

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

3 1. As used in this act:

4 (1) "Retirement system" or "system" shall mean the Police
5 and Firemen's Retirement System of New Jersey as defined in
6 section 2 of this act.

7 (2) (a) "Policeman" shall mean a permanent, full-time
8 employee of a law enforcement unit as defined in section 2 of
9 P.L.1961, c.56 (C.52:17B-67) or the State, other than an officer
10 or trooper of the Division of State Police whose position is
11 covered by the State Police Retirement System, whose primary
12 duties include the investigation, apprehension or detention of
13 persons suspected or convicted of violating the criminal laws of
14 the State and who:

15 (i) is authorized to carry a firearm while engaged in the actual
16 performance of his official duties;

17 (ii) has police powers;

18 (iii) is required to complete successfully the training
19 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.)
20 or comparable training requirements as determined by the board
21 of trustees; and

22 (iv) is subject to the physical and mental fitness requirements
23 applicable to the position of municipal police officer established
24 by an agency authorized to establish these requirements on a
25 Statewide basis, or comparable physical and mental fitness
26 requirements as determined by the board of trustees.

27 The term shall also include an administrative or supervisory
28 employee of a law enforcement unit or the State whose duties
29 include general or direct supervision of employees engaged in
30 investigation, apprehension or detention activities or training
31 responsibility for these employees and a requirement for
32 engagement in investigation, apprehension or detention activities
33 if necessary, and who is authorized to carry a firearm while in
34 the actual performance of his official duties and has police
35 powers.

36 (b) "Fireman" shall mean a permanent, full-time employee of
37 a firefighting unit whose primary duties include the control and
38 extinguishment of fires and who is subject to the training and
39 physical and mental fitness requirements applicable to the
40 position of municipal firefighter established by an agency
41 authorized to establish these requirements on a Statewide basis,
42 or comparable training and physical and mental fitness
43 requirements as determined by the board of trustees. The term
44 shall also include an administrative or supervisory employee of a
45 firefighting unit whose duties include general or direct
46 supervision of employees engaged in fire control and
47 extinguishment activities or training responsibility for these
48 employees and a requirement for engagement in fire control and
49 extinguishment activities if necessary. As used in this paragraph,
50 "firefighting unit" shall mean a municipal fire department, a fire
51 district, or an agency of a county or the State which is
52 responsible for control and extinguishment of fires.

53 (3) "Member" shall mean any policeman or fireman included in
54 the membership of the retirement system pursuant to this

1 amendatory and supplementary act, P.L.1989, c.204
2 (C.43:16A-15.6 et al.).

3 (4) "Board of trustees" or "board" shall mean the board
4 provided for in section 13 of this act.

5 (5) "Medical board" shall mean the board of physicians
6 provided for in section 13 of this act.

7 (6) "Employer" shall mean the State of New Jersey, the
8 county, municipality or political subdivision thereof which pays
9 the particular policeman or fireman.

10 (7) "Service" shall mean service as a policeman or fireman
11 paid for by an employer.

12 (8) "Creditable service" shall mean service rendered for which
13 credit is allowed as provided under section 4 of this act.

14 (9) "Regular interest" shall mean [interest as] the assumed
15 rate of return on investments of the assets of the retirement
16 system used to determine the present value of the liabilities of
17 the system, which rate shall bear a reasonable relationship to the
18 percentage rate of earnings on the assets based upon the market
19 value of the assets and shall be determined [annually] by the
20 State Treasurer after consultation with the Directors of the
21 Divisions of Investment and Pensions and the actuary of the
22 system. [It shall bear a reasonable relationship to the percentage
23 rate of earnings on investments but shall not exceed 105% of such
24 percentage rate.]

25 (10) "Aggregate contributions" shall mean the sum of all the
26 amounts, deducted from the compensation of a member or
27 contributed by him or on his behalf, standing to the credit of his
28 individual account in the annuity savings fund.

29 (11) "Annuity" shall mean payments for life derived from the
30 aggregate contributions of a member.

31 (12) "Pension" shall mean payments for life derived from
32 contributions by the employer.

33 (13) "Retirement allowance" shall mean the pension plus the
34 annuity.

35 (14) "Earnable compensation" shall mean the full rate of the
36 salary that would be payable to an employee if he worked the full
37 normal working time for his position. In cases where salary
38 includes maintenance, the retirement system shall fix the value
39 of that part of the salary not paid in money which shall be
40 considered under this act.

41 (15) "Average final compensation" shall mean the average
42 annual salary upon which contributions are made for the three
43 years of creditable service immediately preceding his retirement
44 or death, or it shall mean the average annual salary for which
45 contributions are made during any three fiscal years of his or her
46 membership providing the largest possible benefit to the member
47 or his beneficiary.

48 (16) "Retirement" shall mean the termination of the
49 member's active service with a retirement allowance granted
50 and paid under the provisions of this act.

51 (17) "Annuity reserve" shall mean the present value of all
52 payments to be made on account of any annuity or benefit in lieu
53 of any annuity computed upon the basis of such mortality tables
54 recommended by the actuary as shall be adopted by the board of

1 trustees, and regular interest.

2 (18) "Pension reserve" shall mean the present value of all
3 payments to be made on account of any pension or benefit in lieu
4 of any pension computed upon the basis of such mortality tables
5 recommended by the actuary as shall be adopted by the board of
6 trustees, and regular interest.

7 (19) "Actuarial equivalent" shall mean a benefit of equal value
8 when computed upon the basis of such mortality tables
9 recommended by the actuary as shall be adopted by the board of
10 trustees, and regular interest.

11 (20) "Beneficiary" shall mean any person receiving a
12 retirement allowance or other benefit as provided by this act.

13 (21) "Child" shall mean a deceased member's or retirant's
14 unmarried child (a) under the age of 18, or (b) 18 years of age or
15 older and enrolled in a secondary school, or (c) under the age of
16 24 and enrolled in a degree program in an institution of higher
17 education for at least 12 credit hours in each semester, provided
18 that the member died in active service as a result of an accident
19 met in the actual performance of duty at some definite time and
20 place, and the death was not the result of the member's willful
21 misconduct, or (d) of any age who, at the time of the member's
22 or retirant's death, is disabled because of mental retardation or
23 physical incapacity, is unable to do any substantial, gainful work
24 because of the impairment and his impairment has lasted or can
25 be expected to last for a continuous period of not less than 12
26 months, as affirmed by the medical board.

27 (22) "Parent" shall mean the parent of a member who was
28 receiving at least one-half of his support from the member in the
29 12-month period immediately preceding the member's death or
30 the accident which was the direct cause of the member's death.
31 The dependency of such a parent will be considered terminated by
32 marriage of the parent subsequent to the death of the member.

33 (23) "Widower" shall mean the man to whom a member or
34 retirant was married at least two years before the date of her
35 death and to whom she continued to be married until the date of
36 her death and who was receiving at least one-half of his support
37 from the member or retirant in the 12-month period immediately
38 preceding the member's or retirant's death or the accident
39 which was the direct cause of the member's death. The
40 dependency of such a widower will be considered terminated by
41 marriage of the widower subsequent to the death of the member
42 or retirant. In the event of the payment of an accidental death
43 benefit, the two-year qualification shall be waived.

44 (24) "Widow" shall mean the woman to whom a member or
45 retirant was married at least two years before the date of his
46 death and to whom he continued to be married until the date of
47 his death and who has not remarried. In the event of the payment
48 of an accidental death benefit, the two-year qualification shall
49 be waived.

50 (25) "Fiscal year" shall mean any year commencing with
51 July 1, and ending with June 30, next following.

52 (26) "Compensation" shall mean the base salary, for services
53 as a member as defined in this act, which is in accordance with
54 established salary policies of the member's employer for all

1 employees in the same position but shall not include individual
2 salary adjustments which are granted primarily in anticipation of
3 the member's retirement or additional remuneration for
4 performing temporary duties beyond the regular workday.

5 (27) "Department" shall mean any police or fire department of
6 a municipality or a fire department of a fire district located in a
7 township or a county police or park police department or the
8 appropriate department of the State or instrumentality thereof.

9 (28) "Final compensation" means the compensation received
10 by the member in the last 12 months of creditable service
11 preceding his retirement.

12 (29) "Mortgage loan" shall mean any indebtedness secured by a
13 mortgage on a residential property, which mortgage shall
14 constitute a first lien on that property.

15 (30) "Residential property" shall mean any real property
16 including land or, in the case of condominiums, an interest in a
17 lot of land, which real property shall consist of a single one-
18 two-family dwelling, including appropriate garages or other
19 outbuildings.

20 (cf: P.L.1991, c.414, s.1)

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

23 15. (1) The contributions required for the support of the
24 retirement system shall be made by members and their employers.

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

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

28 (4) [Each employer shall make contributions equal to the
29 percentage of compensation of members in its employ as
30 certified by the board of trustees based on annual actuarial
31 valuations. The percentage rate of contribution payable by
32 employers shall be determined initially on the basis of the entry
33 age normal cost method.] Upon the basis of the tables
34 recommended by the actuary which the board adopts and regular
35 interest, the actuary shall determine a uniform and constant
36 percentage of compensation of the average member of the
37 retirement system, beginning with the valuation as of June 30,
38 1989, or for any subsequent valuation following a significant
39 change in benefits or actuarial assumptions as determined by the
40 State Treasurer after consultation with the Director of the
41 Division of Pensions and the actuary, which, if contributed
42 annually on the compensation of the member over the entire
43 active service of the average member, will be sufficient to
44 provide the pension reserves required at the time of
45 discontinuance of active service to cover all pension and death
46 benefits to which the average member may be entitled or which
47 are payable on the average member's account. This shall be
48 known as the "normal contribution rate." The actuary shall
49 compute annually an amount of contribution based upon the total
50 compensation of all members in active service and the normal
51 contribution rate. This shall be known as the "normal
52 contribution."

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

54 (6) [The percentage rates of contribution payable by employers

1 pursuant to subsection (4) of this section shall be subject to
2 adjustment from time to time by the board of trustees with the
3 advice of the actuary on the basis of annual actuarial valuations
4 and experience investigations as provided under section 13, so
5 that the value of future contributions of members and employers,
6 when taken with present assets, shall be equal to the value of
7 prospective benefit payments.] (Deleted by amendment, P.L. . .
8 c. .)

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

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

31 (9) Upon the basis of [such] the tables recommended by the
32 actuary [as] which the board adopts and regular interest, the
33 actuary shall compute the amount of the unfunded liability [as of
34 June 30, 1988 which has accrued on the basis of service rendered
35 prior to July 1, 1988 by all members, which amount shall remain
36 frozen and shall be amortized over a period not to exceed 40
37 years as determined by the State Treasurer], beginning with the
38 valuation as of June 30, 1989, or for any subsequent valuation
39 following a significant change in benefits or actuarial
40 assumptions as determined by the State Treasurer after
41 consultation with the Director of the Division of Pensions and the
42 actuary, which is not already covered by the assets of the
43 retirement system, valued in accordance with an asset valuation
44 method adopted by the State Treasurer after consultation with
45 the Directors of the Divisions of Investment and Pensions and the
46 actuary which shall reasonably reflect the market value of the
47 assets, and by prospective employer normal contributions and
48 employee contributions. Using the total amount of this unfunded
49 accrued liability, the actuary shall [compute an increasing
50 amount of annual payment, which is estimated to remain a level
51 percentage of prospective total compensation and which, if paid
52 in each succeeding fiscal year commencing with July 1, 1989, for
53 the period determined by the State Treasurer, will provide for]
54 determine a rate of contribution that shall be an initial amount of

1 contribution divided by the compensation of all active members
2 for the valuation period where, if the amount of the contribution
3 is increased annually for a specific period of time, it will
4 amortize this liability. The State Treasurer shall determine,
5 after consultation with the Director of the Division of Pensions
6 and the actuary, the rate of increase for the contribution and the
7 time period for full funding of this liability, which shall not
8 exceed 40 years. This shall be known as the "accrued liability
9 contribution rate." The accrued liability contribution rate shall
10 remain constant unless it is redetermined following a significant
11 change in benefits or actuarial assumptions as provided in this
12 subsection or the rate is insufficient to amortize the unfunded
13 accrued liability in 40 years. If the rate is insufficient for any
14 valuation period, it shall be redetermined for that valuation
15 period and subsequent valuation periods so that the revised rate
16 will be sufficient to pay the unfunded accrued liability in
17 40 years. The actuary shall compute annually an amount of
18 contribution based upon the total compensation of all members in
19 active service and the accrued liability contribution rate. This
20 shall be known as the "accrued liability contribution."

21 If there is no unfunded accrued liability for a valuation period,
22 the normal contribution rate shall be revised so that if it is
23 applied to the compensation of all active members during the
24 entire period of their prospective service, it will be sufficient to
25 fund the liability of the retirement system not already covered by
26 the assets of the system, valued in accordance with the valuation
27 method adopted by the State Treasurer as provided in this
28 subsection, and by prospective employee contributions. The
29 normal contribution rate shall continue to be determined as
30 provided in this paragraph for each succeeding valuation period
31 unless the normal contribution rate is redetermined as provided in
32 subsection (4). An annual employer contribution is not required if
33 the actuarial value of the assets exceeds the sum of the
34 entry-age accrued liability and the normal contribution for
35 valuation period.

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

41 (10) The treasurer or corresponding officer of the employer
42 shall pay on or before July 1 in each year to the State Treasurer
43 the amount so certified as payable by the employer, and shall pay
44 monthly to the State Treasurer the amount of the deductions
45 from the salary of the members in the employ of the employer,
46 and the State Treasurer shall credit such amount to the
47 appropriate fund or funds, of the retirement system.

48 If payment of the full amount of the employer's obligation is
49 not made within 30 days of the due date established by this act,
50 interest at the rate of 10% per annum shall commence to run
51 against the unpaid balance thereof on the first day after such
52 30th day.

53 If payment in full, representing the monthly transmittal and
54 report of salary deductions, is not made within 15 days of the due

1 date established by the retirement system, interest at the rate of
2 10% per annum shall commence to run against the total
3 transmittal of salary deductions for the period on the first day
4 after such 15th day.

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

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

20 (13) [The Legislature shall annually appropriate and the State
21 Treasurer shall pay into the pension accumulation fund of the
22 retirement system an amount equal to 1.8% of the compensation
23 of the members of the system upon which the normal contribution
24 rate is based to fund the benefits provided by section 16 of
25 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.]
26 (Deleted by amendment, P.L. , c. .)

27 (cf: P.L.1991, c.136, s.2)

28 11. Section 7 of P.L.1989, c.204 (C.43:16A-15.6) is amended to
29 read as follows:

30 7. Pension adjustment benefits for members and beneficiaries
31 of the Police and Firemen's Retirement System of New Jersey as
32 provided by P.L.1969, c.169 (C.43:3B-1 et seq.) shall be paid by
33 the retirement system and shall be funded as employer
34 obligations [in a similar manner to that provided for the funding
35 of employer obligations for the retirement benefits provided by
36 the retirement system] through the normal contribution or the
37 accrued liability contribution, and the funding may be phased in,
38 as determined by the State Treasurer after consultation with the
39 Director of the Division of Pensions and the actuary.

40 (cf: P.L.1989, c.204, s.7)

41 12. Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended to read
42 as follows:

43 3. As used in this act:

44 a. "Aggregate contributions" means the sum of all the
45 amounts, deducted from the salary of a member or contributed by
46 him or on his behalf, standing to the credit of his individual
47 account in the Annuity Savings Fund. Interest credited on
48 contributions to the former "State Police Retirement and
49 Benevolent Fund" shall be included in a member's aggregate
50 contributions.

51 b. "Annuity" means payments for life derived from the
52 aggregate contributions of a member.

53 c. "Annuity reserve" means the present value of all payments
54 to be made on account of any annuity or benefit in lieu of an

1 annuity, computed upon the basis of such mortality tables
2 recommended by the actuary as the board of trustees adopts and
3 regular interest.

4 d. "Beneficiary" means any person entitled to receive any
5 benefit pursuant to the provisions of this act by reason of the
6 death of a member or retirant.

7 e. "Board of trustees" or "board" means the board provided
8 for in section 30 of this act.

9 f. "Child" means a deceased member's or retirant's
10 unmarried child either (a) under the age of 18 or (b) of any age
11 who, at the time of the member's or retirant's death, is disabled
12 because of mental retardation or physical incapacity, is unable to
13 do any substantial, gainful work because of the impairment and
14 his impairment has lasted or can be expected to last for a
15 continuous period of not less than 12 months, as affirmed by the
16 medical board.

17 g. "Creditable service" means service rendered for which
18 credit is allowed on the basis of contributions made by the
19 member or the State.

20 h. "Parent" means the parent of a member who was receiving
21 at least one-half of his support from the member in the 12-month
22 period immediately preceding the member's death or the
23 accident which was the direct cause of the member's death. The
24 dependency of such a parent will be considered terminated by
25 marriage of the parent subsequent to the death of the member.

26 i. "Final compensation" means the average compensation
27 received by the member in the last 12 months of creditable
28 service preceding his retirement or death. Such term includes
29 the value of the member's maintenance allowance for this same
30 period.

31 j. "Final salary" means the average salary received by the
32 member in the last 12 months of creditable service preceding his
33 retirement or death. Such term shall not include the value of the
34 member's maintenance allowance.

35 k. "Fiscal year" means any year commencing with July 1 and
36 ending with June 30 next following.

37 L. "Medical board" means the board of physicians provided for
38 in section 30 of this act.

39 m. "Member" means any full-time, commissioned officer,
40 non-commissioned officer or trooper of the Division of State
41 Police of the Department of Law and Public Safety of the State
42 of New Jersey enrolled in the retirement system established by
43 this act.

44 n. "Pension" means payment for life derived from
45 contributions by the State.

46 o. "Pension reserve" means the present value of all payments
47 to be made on account of any pension or benefit in lieu of any
48 pension computed on the basis of such mortality tables
49 recommended by the actuary as shall be adopted by the board of
50 trustees and regular interest.

51 p. "Regular interest" means [interest as] the assumed rate of
52 return on investments of the assets of the retirement system used
53 to determine the present value of the liabilities of the system,
54 which rate shall bear a reasonable relationship to the percentage

- 1 rate of earnings on the assets based upon the market value of the
2 assets and shall be determined [annually] by the State Treasurer
3 after consultation with the Directors of the Divisions of
4 Investment and Pensions and the actuary of the system. [It shall
5 bear a reasonable relationship to the percentage rate of earnings
6 on investments but shall not exceed 105% of such percentage
7 rate.]
- 8 q. "Retirant" means any former member receiving a
9 retirement allowance as provided by this act.
- 10 r. "Retirement allowance" means the pension plus the annuity.
- 11 s. "State Police Retirement System of New Jersey," herein
12 also referred to as the "retirement system" or "system," is the
13 corporate name of the arrangement for the payment of
14 retirement allowances and of the benefits under the provisions of
15 this act including the several funds placed under said system. By
16 that name, all of its business shall be transacted, its funds
17 invested, warrants for moneys drawn, and payments made and all
18 of its cash and securities and other property held. All assets held
19 in the name of the former "State Police Retirement and
20 Benevolent Fund" shall be transferred to the retirement system
21 established by this act.
- 22 t. "Surviving spouse" means the person to whom a member or
23 a retirant was married on the date of the death of the member or
24 retirant. The dependency of such a surviving spouse will be
25 considered terminated by the marriage of the surviving spouse
26 subsequent to the member's or the retirant's death.
- 27 u. "Compensation" for purposes of computing pension
28 contributions means the base salary, for services as a member as
29 defined in this act, which is in accordance with established salary
30 policies of the State for all employees in the same position but
31 shall not include individual salary adjustments which are granted
32 primarily in anticipation of the member's retirement or
33 additional remuneration for performing temporary duties beyond
34 the regular work day or shift.
- 35 (cf: P.L.1985, c.355, s.1)
- 36 13. Section 34 of P.L.1965, c.89 (C.53:5A-34) is amended to
37 read as follows:
- 38 34. The Contingent Reserve Fund shall be the fund in which
39 shall be credited contributions made by the State.
- 40 a. Upon the basis of [such] the tables recommended by the
41 actuary [as] which the board adopts and regular interest, the
42 actuary shall [compute annually the amount of the contribution,
43 expressed as a proportion of the salaries paid to all members,
44 which, if paid monthly during the entire prospective service of
45 the members,] determine the uniform and constant percentage of
46 compensation of the average member of the retirement system,
47 beginning with the valuation as of June 30, 1990, or for any
48 subsequent valuation following a significant change in benefits or
49 actuarial assumptions as determined by the State Treasurer after
50 consultation with the Director of the Division of Pensions and the
51 actuary, which, if contributed annually on the compensation of
52 the average member over the entire period of active service of
53 the average member, will be sufficient to provide for the pension
54 reserves required at the time of the discontinuance of active

1 service[,] to cover all [pensions] pension and death benefits to
2 which [they] the average member may be entitled or which are
3 payable on [their] the average member's account [and to provide
4 for the amount of the death and accidental disability benefits
5 payable on their account, which amount is not covered by other
6 contributions to be made as provided in this section and the funds
7 in hand available for such benefits]. This shall be known as the
8 "normal contribution rate." The actuary shall compute annually
9 an amount of contribution based upon the total compensation of
10 all members and the normal contribution rate. This shall be
11 known as the "normal contribution."

12 b. Upon the basis of [such] the tables recommended by the
13 actuary [as] which the board adopts[,] and regular interest, the
14 actuary shall compute the amount of the unfunded liability [as of
15 June 30, 1971 which has accrued on the basis of service rendered
16 prior to July 1, 1971 by all members, including the amount of the
17 liability accrued by reason of allowances to be granted on
18 account of services rendered by members of the former "State
19 Police Retirement and Benevolent Fund" which has not already
20 been covered by previous State contributions to the former
21 system, including the accrued liabilities established by chapter 89
22 of the laws of 1965 and the additional liabilities created by the
23 provisions of this amendatory act], beginning with the valuation
24 as of June 30, 1990, or for any subsequent valuation following a
25 significant change in benefits or actuarial assumptions as
26 determined by the State Treasurer after consultation with the
27 Director of the Division of Pensions and the actuary, which is not
28 already covered by the assets of the retirement system, valued in
29 accordance with an asset valuation method adopted by the State
30 Treasurer after consultation with the Directors of the Divisions
31 of Investment and Pensions and the actuary which shall
32 reasonably reflect the market value of the assets, and by
33 prospective employer normal contributions and employee
34 contributions. Using the total amount of this unfunded accrued
35 liability [he shall compute the amount of the flat annual payment,
36 which, if paid in each succeeding fiscal year, commencing with
37 July 1, 1972, for a period of 40 years, will provide for], the
38 actuary shall determine a rate of contribution that shall be an
39 initial amount of contribution divided by the compensation of all
40 active members for the valuation period where, if the
41 contribution is increased annually for a specific period of time, it
42 will amortize this liability. The State Treasurer shall determine,
43 after consultation with the Director of the Division of Pensions
44 and the actuary, the rate of increase for the contribution and the
45 time period for full funding of this liability, which shall not
46 exceed 40 years. This shall be known as the "accrued liability
47 contribution rate." The accrued liability contribution rate shall
48 remain constant unless it is redetermined following a significant
49 change in benefits or actuarial assumptions as provided in this
50 subsection or the rate is insufficient to amortize the unfunded
51 accrued liability in 40 years. If the rate is insufficient for any
52 valuation period, it shall be redetermined for that valuation
53 period and subsequent valuation periods so that the revised rate
54 will be sufficient to pay the unfunded accrued liability in

1 40 years. The actuary shall compute annually an amount of
2 contribution based upon the total compensation of all members in
3 active service and the accrued liability contribution rate. This
4 shall be known as the "accrued liability contribution."

5 c. If there is no unfunded accrued liability for a valuation
6 period, the normal contribution rate shall be revised so that if it
7 is applied to the compensation of all active members during the
8 entire period of their prospective service, it will be sufficient to
9 fund the liability of the retirement system not already covered by
10 the assets of the system, valued in accordance with the valuation
11 method adopted by the State Treasurer as provided in subsection
12 b., and by prospective employee contributions. The normal
13 contribution rate shall continue to be determined as provided in
14 this subsection for each succeeding valuation period unless the
15 normal contribution rate is redetermined as provided in
16 subsection a. An annual employer contribution is not required if
17 the actuarial value of the assets exceeds the sum of the
18 entry-age accrued liability and the normal contribution for the
19 valuation period.

20 d. The actuary shall certify annually the aggregate amount
21 payable to the Contingent Reserve Fund in the ensuing year,
22 which amount shall be equal to the sum of the [proportion of the
23 earnable salary of all members, computed as described in
24 subsection a. hereof and of the State's] normal contribution and
25 accrued liability contribution[, payable in the ensuing year, as
26 described in subsection b. hereof]. The State shall pay into the
27 Contingent Reserve Fund during the ensuing year the amount so
28 [determined] certified. In the event the amount certified to be
29 paid by the State includes amounts due for services rendered by
30 members to specific instrumentalities or authorities the total
31 amounts so certified shall be paid to the retirement system by
32 the State; provided, however, the full cost attributable to such
33 services rendered to such instrumentalities and authorities shall
34 be computed separately by the actuary and the State shall be
35 reimbursed for such amounts by such instrumentalities or
36 authorities.

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

41 (cf: P.L.1980, c.55, s.5)

42 14. (New section) Any reduction in employer contributions to
43 the Teachers' Pension and Annuity Fund, the Public Employees'
44 Retirement System, the Police and Firemen's Retirement System
45 and the State Police Retirement System as a result of the
46 revaluation of these retirement systems under this act for the
47 1992 fiscal year or prior fiscal years shall be refunded to the
48 State or credited against future State contributions to the
49 retirement systems.

50 15. Section 12 of P.L.1966, c.67 (C.43:15A-37.1) is repealed.

51 16. This act shall take effect immediately.

STATEMENT

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The purpose of this bill is to provide for revaluation of the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the State Police Retirement System, to reflect more realistically the financial conditions of the systems while continuing to assure an adequate accumulation of reserves in the retirement systems at the least cost to current and future taxpayers. The major components of the revaluation are as follows:

1. A change in the valuation method for the assets of the retirement systems from book value to a market-related value.

2. Adjustment of the economic assumptions of the systems used to determine the liabilities of the systems and the contributions necessary to fund the liabilities, i.e., the rate of return on investment, the salary increase scales, and the rate of cost-of-living adjustments, consistent with the change in the asset valuation method.

3. A change in the actuarial method for determining employer contributions to fund the liabilities of the systems over a longer period of time consistent with the full working lives of the members.

The State retirement systems have grown dramatically over time. In the aggregate, they currently constitute the ninth largest retirement system in the country among all public and private systems in terms of assets. In 1991, there were 413,775 active members and 112,892 retirees. The total amount of benefits paid was \$1.4 billion. Employer and employee contributions for the year were \$1.3 billion and \$614 million, respectively. Real earnings on investments (interest, dividends and proceeds from sales of securities) were \$1.9 billion.

The financial condition of the State retirement systems has changed dramatically in the last 10 to 15 years. The percentage of assets which may be invested in stocks was gradually increased to the current authorized level of 60%. The rate of return on the assets of the pension funds rose. From 1982 through 1991, the retirement systems experienced a large growth in assets, from \$6 billion to \$29 billion at market value for an average annual rate of growth of 19%. This growth includes employer and employee contributions and return on investments. The annual rate of return on investments alone over the same time period was 15.5%. This growth in assets and return on investments far outpaced the growth in benefit payments from the retirement systems. The return on investments exceeded the disbursements in every year. The benefit payroll was more than covered by the return on investments, with a substantial amount left over to add to the asset pool. The revenue of the systems has been from two and one-half to three times the amount of benefits paid by the systems in recent years. The revaluation proposed by this bill will permit use of more realistic values for the assets of the retirement systems.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, No. 540

STATE OF NEW JERSEY

DATED: JUNE 15, 1992

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 540.

Senate Committee Substitute for Senate Bill No. 540 provides for the revaluation of the assets of the following retirement systems on the basis of market-related value rather than book value: the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, the Judicial Retirement System, and the Consolidated Police and Firemen's Pension Fund and the State Police Retirement System. In addition, the committee substitute provides for the prefunding of pension adjustment benefits and the premiums for health benefits for retirees of the Judicial Retirement System and the State Police Retirement System. Finally, the committee substitute makes various changes in the governance and operation of the State-administered retirement systems.

With respect to revaluation, the substitute requires the full valuation of a system's assets as of 1989 for Police and Firemen's Retirement System and 1990 for the other retirement systems. This replaces the Governor's proposal to phase in the realization of the gains from going to market-related value. The difference between the 100% of full value and the approximately 60% of full value that the Governor proposed for addressing budget shortfalls is to be used to accelerate the funding of the liabilities for pension adjustment and post-retirement health care benefits. In addition, the substitute requires that specified levels of funding the pension adjustment and post-retirement healthcare benefits must be met in the case of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System.

With respect to the governance and operation of the retirement systems, the following changes are made:

1) Gubernatorial appointments to the boards of trustees of the various systems shall be made with the advice and consent of the Senate for specified terms of office, rather than appointment by the Governor and service at the pleasure of the Governor.

2) Each board, rather than the State Treasurer, is empowered to select the actuary of the system and each board is empowered to select the legal advisor to the system if the board determines that the Attorney General, who is specified by law as the legal advisor, has a conflict of interest from the board's point of view in representing the board on a matter or if the Attorney General refuses to represent the board.

3) Each board is empowered to adopt an asset valuation method for the purpose of determining the market-related value of a system's assets, to recalculate the unfunded liability and establish

a new period of payment following a significant change in benefits or actuarial assumptions, and to determine the assumed percentage rate of increase regarding the cost of providing paid health benefits for retirees (the board already has power to set the assumed rate of salary increase as an actuarial assumption for the purpose of calculating liabilities and employer contributions).

4) The State Investment Council, rather than the State Treasurer, is empowered to set the regular interest rate (on the basis of which the present value of liabilities and the anticipated growth of assets are calculated).

5) The regular interest rate is to bear a reasonable relationship to the percentage rate of earnings on the assets of a retirement system based on the market value of the assets but shall not exceed the assumed percentage rate of salary increase plus 3%.

6) The membership of the State Investment Council is expanded from 10 to 11 members; the 11th member is appointed by the Governor from among three persons jointly nominated by the President of the Senate and the Speaker of the General Assembly. Also, the present statutory five members of the State Investment Council who are appointed by the Governor are to be appointed subject to the advice and consent of the Senate.

7) The payment date for employer contributions to the relevant retirement systems by employers other than the State is changed from July 1, the beginning of the State's fiscal year, to April 1 of the State's fiscal year and the penalty for late payment is changed from 6% to 10% per annum.

Other provisions of the committee substitute include (1) changing the name of the Division of Pensions to the Division of Pensions and Benefits; (2) lowering from 1.8% to 1.4% of compensation of members of the Police and Firemen's Retirement System the amount that the Legislature must appropriate annually to fund the enhanced retirement benefits provided to police and firemen under P.L.1979, c.109; and (3) providing for the phase-in of municipalities' funding the costs of transferring their police and firemen from the Public Employees' Retirement System to the Police and Firemen's Retirement System (which transfer is to be provided for in other legislation).

FISCAL IMPACT

The Office of Legislative Services has estimated that the revaluation of the pension plans under the committee substitute will result in a refund to the State of excess contributions of \$733 million for fiscal year 1992, and a reduction of otherwise required State contributions of \$566 million for fiscal year 1993.

FISCAL NOTE TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 540

STATE OF NEW JERSEY

DATED: July 16, 1992

The Senate Committee Substitute for Senate Bill No. 540 of 1992 provides for the revaluation of the assets of the following retirement systems on the basis of market-related value rather than book value: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), the State Police Retirement System (SPRS), the Judicial Retirement System (JRS) and the Consolidate Police and Firemen's Pension Fund (CP&FPF). In addition, the committee substitute provides for the prefunding of the pension adjustment benefits and the premiums for health benefits for retirees of the State Police Retirement System and the Judicial Retirement System. Finally, the committee substitute makes various changes in the governance and operation of the State-administered retirement systems.

With respect to revaluation, the substitute requires the full valuation (100 percent) of a system's assets as of 1989 for PFRS and 1990 for the other retirement systems. This replaces the Governor's proposal to phase in the realization of the gains from going to a market-related valuation. The difference between the 100 percent for full value and the approximately 60 percent of full value that the Governor proposed for addressing revenue shortfalls is to be used to accelerate the funding of the liabilities for pension adjustment (COLA) and post-retirement health care benefits.

With respect to the governance and operation of the retirement systems, the following changes are made:

1) Gubernatorial appointments to the boards of trustees of the various retirement systems shall be made with the advice and consent of the Senate for specified terms of office, rather than appointment by the Governor and service at the pleasure of the Governor;

2) Each board, rather than the State Treasurer, is empowered to select the actuary of the system and each board is empowered to select the legal advisor to the system if the board determines that the Attorney General, who is specified by law as the legal advisor, has a conflict of interest from the board's point of view in representing the board on a matter or if the Attorney General refuses to represent the board.

3) Each board is empowered to adopt an asset valuation method for the purpose of determining the market-related value of a system's assets, to recalculate the unfunded liability and establish a new period of payment following a significant change in benefits or actuarial assumptions, and to determine the assumed percentage rate of increase regarding the cost of providing paid health benefits for retirees (the board already has power to set the assumed rate of salary increase as an actuarial assumption for the purpose of calculating liabilities and employer contributions).

4) The State Investment Council, rather than the State Treasurer, is empowered to set the regular interest rate (on the basis of which the present value of liabilities and the anticipated growth of assets are calculated).

5) The regular interest rate is to bear a reasonable relationship to the percentage rate of earnings on the assets of a retirement system based on the market value of the assets but shall not exceed the assumed percentage rate of salary increase plus 3 percent.

6) The membership of the State Investment Council is expanded from 10 to 11 members; the 11th member is appointed by the Governor from among three persons jointly nominated by the President of the Senate and the Speaker of the General Assembly. Also, the present statutory five members of the State Investment Council who are appointed by the Governor are to be appointed subject to the advice and consent of the Senate.

7) The payment date for employer contributions to the relevant retirement systems by employers other than the State is changed from July 1, the beginning of the State's fiscal year, to April 1 of the State's fiscal year and the penalty for late payment is increased from 6 percent to 10 percent per annum.

Other provisions of the committee substitute include (1) changing the name of the Division of Pensions to the Division of Pensions and Benefits; and (2) eliminating the State's contribution to fund the enhanced retirement benefits provided to police and firemen under P.L.1979, c.109 for fiscal years 1992 and 1993 and reducing the contribution from 1.8 percent to 1.4 percent of compensation of members of the Police and Firemen's Retirement System annually thereafter.

The Division of Pensions, in an estimate prepared on the original bill, based on going to 33 1/3 percent of market value, estimated the fiscal year 1992 refund to the State at \$587.8 million, the reduction in State contributions to fund the various retirement systems for fiscal year 1993 at \$504.9 million and the reduction in FY 1993 local government contributions at \$191.8 million. This estimate was revised when the Governor recommended a change to 60 percent of market value in FY 1992 to close the anticipated shortfall in revenues. The division estimated the FY 1992 refund to the State, based on 60 percent of market value, at \$690.5 million and the reduction in FY 1993 State contributions at \$568.1 million and local government contributions at \$240.0 million. The division noted that the future, beyond FY 1993, annual State and local government employer contributions to fund the various retirement systems would be reduced as compared to the contributions that would be required if calculated under the current method as long as the actual experience of the retirement systems does not deviate unfavorably from the actuarial assumptions adopted under this proposal.

The Office of Legislative Services (OLS) estimates that, under the provisions of this bill, the FY 1992 refund to be at approximately \$769.2 million and the reduction in the FY 1993 State contributions to fund various systems at approximately \$568.5 million. The OLS estimates that for all other participants, county and local governments and various State and local authorities, FY 1993 contributions to fund the various retirement systems would be reduced by an estimated \$240.0 million. The OLS notes that the

change in payment dates for employers other than the State from July 1, the beginning of the State fiscal year, to April 1 of the State fiscal year will shift many local governments' FY 1993 contribution requirements to their FY 1994 for a one-time savings of approximately \$250 million.

The OLS further notes that the committee substitute dedicates the savings of going immediately to 100 percent of market value, from the 60 percent of market value proposed by the Governor, to accelerate the phase-in of the liabilities for cost-of-living adjustments (COLA) and post retirement medical benefits for retirees of the TPAF and PERS. Under the provisions of the substitute, 48 percent of the PERS and TPAF COLA and post-retirement medical liabilities would be funded as part of the normal contribution to fund the retirement systems in FY 1994. The recognition of these liabilities would increase to 56 percent in FY 1995 and the remaining 44 percent would be phased in over 15 years. In addition, the bill provides for prefunding the COLA and post-retirement medical benefits for the SPRS and the JRS beginning in FY 1995.

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

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

June 29, 1992

SENATE COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 540 (First Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14, of the New Jersey Constitution, I herewith return Senate Committee Substitute for Senate Bill No. 540 (First Reprint) with my objections for reconsideration.

Senate Committee Substitute for Senate Bill No. 540 (First Reprint) would provide for the revaluation of the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), the Judicial Retirement System, the Consolidated Police and Firemen's Pension Fund, and the State Police Retirement System, to reflect more realistically the financial condition of the systems. It assures an adequate accumulation of reserves in the retirement systems at the least cost, to both current and future taxpayers.

I am very pleased that the Legislature has passed this legislation to revalue the State retirement systems as I had outlined in my Budget Address in January. The Legislature has amended my original proposal and, generally, the changes make prudent fiscal sense. However, there are few provisions in the bill that concern me. Accordingly, I am returning the bill with recommendations that certain changes be made concerning adequate oversight of the retirement systems and protection of their fiscal integrity.

Therefore, I herewith return Senate Committee Substitute for Senate Bill No. 540 (First Reprint) and recommend that it be amended as follows:

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 2, Section 1, Line 19: After "[interest as]" delete "the assumed" and insert "interest as determined by the State Treasurer, after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

Page 2, Section 1, Lines 20-29: Delete in entirety

Page 6, Section 2, Line 50: After "1966]" delete ", beginning with the valuation"; after "1990," delete "or for"

Page 6, Section 2, Lines 51-53: Delete in entirety

Page 6, Section 2, Line 54: Delete "Pensions and the actuary,"

Page 7, Section 2, Line 5: After "by the" delete "board of trustees" and insert "State Treasurer"

Page 7, Section 2, Line 6: After "Pensions" insert ", the board of trustees"

Page 7, Section 2, Line 19: After "The" delete "board of trustees" and insert "State Treasurer"

Page 7, Section 2, Line 21: After "Pensions" insert ", the board of trustees"

Page 7, Section 2, Line 24: Delete "The accrued liability"

Page 7, Section 2, Lines 25-26: Delete in entirety

Page 7, Section 2, Line 27: Delete "assumptions."

Page 7, Section 2, Line 33: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by $8 \frac{3}{4}\%$, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by $4 \frac{3}{8}\%$, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991."

Page 7, Section 2, Lines 34-40: Delete in entirety

Page 11, Section 6, Line 28: After "by the" insert "State Treasurer after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the board for a valid reason."

Page 11, Section 6, Line 30: Delete "board in a manner"

Page 11, Section 6, Lines 31-35: Delete in entirety

Page 11, Section 6, Line 41: After "if the" delete "board" insert "Attorney General"

Page 11, Section 6, Line 44: After "system" delete "or if the Attorney General refuses to"

Page 11, Section 6, Line 45: Delete "represent the board"

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 13, Section 7, Line 13: After "[interest as]" delete "the assumed rate of" insert "interest as determined by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions, the State House Commission and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

Page 13, Section 7, Lines 14-23: Delete in entirety

Page 14, Section 8, Line 35: Delete "State House Commission in a manner similar" and insert "State Treasurer after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the Commission for valid reason."

Page 14, Section 8, Lines 36-38: Delete in entirety

Page 14, Section 8, Line 39: Delete "and supplementary act."

Page 14, Section 8, Line 44: After "if the" delete "State House Commission" insert "Attorney General"

Page 14, Section 8, Line 47: After "system" delete "or if the Attorney General"

Page 14, Section 8, Line 48: Delete "refuses to represent the commission"

Page 15, Section 9, Line 42: After "subsection d]" delete ", beginning with the valuation"

Page 15, Section 9, Lines 43-45: Delete in entirety

Page 15, Section 9, Line 46: Delete "Division of Pensions and the actuary,"

Page 15, Section 9, Line 49: Delete "commission" insert "State Treasurer"

Page 15, Section 9, Line 50: After "Pensions" insert ", the commission"

Page 16, Section 9, Line 7: After "The" delete "commission" insert "State Treasurer"

Page 16, Section 9, Line 9: After "Pensions" insert ", the commission"

Page 16, Section 9, Line 12: Delete "The accrued liability"

Page 16, Section 9, Lines 13-14: Delete in entirety

Page 16, Section 9, Line 15: Delete "assumptions."

Page 16, Section 9, Lines 21-28: Delete in entirety insert "The value of the assets for the valuation period ending June 30, 1991 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of June 30, 1991."

Page 16, Section 9, Line 30: Delete "board of trustees" insert "commission"

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 17, Section 10, Line 45: After "and shall" delete "not" insert "be"

Page 17, Section 10, Line 46: Delete "exceed"

Page 19, Section 12, Line 22: After "[interest as]" delete "the assumed rate" and insert "interest as determined by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

Page 19, Section 12, Lines 23-32: Delete in entirety

Page 24, Section 14, Line 3: Delete "board in a manner similar to the invitation to bids and the" insert "State Treasurer, after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the board for valid reason."

Page 24, Section 14, Lines 4-7: Delete in entirety

Page 24, Section 14, Line 13: After "if the" delete "board" insert "Attorney General"

Page 24, Section 14, Line 16: After "system" delete "or if the Attorney General refuses to"

Page 24, Section 14, Line 17: Delete "represent the board"

Page 25, Section 15, Line 12: After "(C.43:15A-37.1)]" delete ", beginning with the valuation"

Page 25, Section 15, Line 13: After "1990," delete "or for any subsequent valuation following a significant"

Page 25, Section 15, Lines 14-15: Delete in entirety

Page 25, Section 15, Line 16: Delete "Division of Pensions and the actuary,"

Page 25, Section 15, Line 21: After "by the" delete "board of trustees" and insert "State Treasurer"

Page 25, Section 15, Line 23: After "Pensions" insert ", the board of trustees"

Page 25, Section 15, Line 42: After "The" delete "board of"

Page 25, Section 15, Line 43: Delete "trustees" insert "State Treasurer"

Page 25, Section 15, Line 44: After "Pensions" insert ", the board of trustees"

Page 25, Section 15, Line 47: Delete "The accrued liability"

Page 25, Section 15, Lines 48-49: Delete in entirety

Page 25, Section 15, Line 50: Delete "assumptions."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 26, Section 15, Line 2: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending March 31, 1991 shall be the value of the assets for the preceding valuation period increased by $8\frac{3}{4}\%$, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by $4\frac{3}{8}\%$, plus 20% of the difference between this expected value and the full market value of the assets as of March 31, 1991."

Page 26, Section 15, Lines 3-9: Delete in entirety

Page 31, Section 19, Line 29: Delete "commission" insert "State Treasurer"

Page 31, Section 19, Line 30: After "Pensions" insert ", the commission"

Page 31, Section 19, Line 46: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending June 30, 1991 shall be the value of the assets for the preceding valuation period increased by $8\frac{3}{4}\%$, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by $4\frac{3}{8}\%$, plus 20% of the difference between this expected value and the full market value of the assets as of June 30, 1991."

Page 31, Section 19, Lines 47-53: Delete in entirety

Page 32, Section 19, Line 4: After "bill)" delete ", except that the assumptions"

Page 32, Section 19, Line 4-9: Delete in entirety

Page 32, Section 19, Line 10: Delete "1992"

Page 33, Section 21, Line 31: After "if the" delete "commission" insert "Attorney General"

Page 33, Section 34, Line 34: After "system" delete "or if the Attorney General"

Page 33, Section 34, Line 35: Delete "refuses to represent the commission"

Page 33, Section 21, Line 40: After "reason]" delete "commission in a manner similar to" and insert "State Treasurer, after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the commission for valid reasons."

Page 33, Section 21, Lines 41-43: Delete in entirety

Page 33, Section 21, Line 44: Delete "(C.) (now pending before the Legislature as this bill)."

Page 35, Section 22, Line 5: After "[interest as]" delete "the assumed" and insert "interest as determined by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions, the commission and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Page 35, Section 22, Lines 6-15: Delete in entirety

Page 36, Section 23, Line 43: After "[interest as]" delete "the assumed" and insert "interest as determined by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees, and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

Page 36, Section 23, Lines 44-53: Delete in entirety

Page 40, Section 24, Line 12: After "if the" delete "board" insert "Attorney General"

Page 40, Section 24, Line 14: After "system" delete "or if the"

Page 40, Section 24, Line 15: Delete "Attorney General refuses to represent the board"

Page 40, Section 24, Line 32: After "reason]" delete "board in a manner similar to the invitation to bids and" insert "State Treasurer, after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the board for valid reason."

Page 40, Section 24, Lines 33-35: Delete in entirety

Page 40, Section 24, Line 36: Delete "before the Legislature as this bill)."

Page 42, Section 25, Line 7: After "Treasurer]" delete ",,"

Page 42, Section 25, Line 8: Delete "beginning with the valuation"; after "1989," delete "or for any"

Page 42, Section 25, Lines 9-11: Delete in entirety

Page 42, Section 25, Line 12: Delete "and the actuary,"

Page 42, Section 25, Line 14: After "by the" delete "board of trustees" insert "State Treasurer"

Page 42, Section 25, Line 16: After "Pensions" insert ", the board of trustees"

Page 42, Section 25, Line 29: Delete "board of trustees" insert "State Treasurer"

Page 42, Section 25, Line 30: After "Pensions" insert ", the board of trustees"

Page 42, Section 25, Line 33: After "rate." delete "The accrued"

Page 42, Section 25, Lines 34-35: Delete in entirety

Page 42, Section 25, Line 36: Delete "actuarial assumptions."

Page 42, Section 25, Line 42: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending June 30, 1990 shall be the value of the assets for the preceding valuation period increased by 8 3/4%, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by 4 3/8%, plus 20% of the difference between this expected value and the full market value of the assets as of June 30, 1990."

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Page 42, Section 25, Lines 43-49: Delete in entirety

Page 43, Section 25, Line 1: After "salary increases" delete ", medical premium inflation"

Page 44, Section 26, Line 24: After "shall" delete "not exceed 25" insert "begin with valuation year 1989 and shall be 30"

Page 45, Section 27, Line 46: After "[interest as]" delete "the assumed rate of" insert "interest as determined by the State Treasurer after consultation with the Directors of the Divisions of Investment and Pensions, the board of trustees and the actuary. It shall bear a reasonable relationship to the percentage rate of earnings on investments based on the market value of the assets but shall not exceed 110% of the weighted average, published by the United States Internal Revenue Service, of the rates of interest on 30-year United States Treasury Constant Maturities during the 4-year period ending on the last day of the month as of which the annual actuarial valuation is prepared."

Page 45, Section 27, Lines 47-54: Delete in entirety

Page 46, Section 27, Lines 1-2: Delete in entirety

Page 47, Section 28, Line 46: After "reason]" delete "board in a manner similar to the invitation to bids and" insert "State Treasurer, after consultation with the Director of the Division of Pensions and Benefits, subject to veto by the board for valid reason."

Page 47, Section 28, Lines 47-49: Delete in entirety

Page 47, Section 28, Line 50: Delete "before the Legislature as this bill)."

Page 48, Section 28, Line 1: After "if the" delete "board" insert "Attorney General"

Page 48, Section 28, Line 4: After "system" delete "or if the Attorney General refuses to"

Page 48, Section 28, Line 5: Delete "represent the board"

Page 49, Section 29, Line 4: After "act]" delete ", beginning"

Page 49, Section 29, Line 5: Delete "with the valuation"; after "1990," delete "or for any subsequent"

Page 49, Section 29, Lines 6-8: Delete in entirety

Page 49, Section 29, Line 9: Delete "the actuary,"

Page 49, Section 29, Line 11: After "by the" delete "board of trustees" insert "State Treasurer"

Page 49, Section 29, Line 12: After "Pensions" insert ", the board of trustees"

Page 49, Section 29, Line 24: Delete "board of trustees" insert "State Treasurer"

Page 49, Section 29, Line 25: After "Pensions" insert ", the board of trustees"

Page 49, Section 29, Line 28: After "rate." delete "The accrued"

Page 49, Section 29, Lines 29-30: Delete in entirety

Page 49, Section 29, Line 31: Delete "actuarial assumptions."

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Page 49, Section 29, Line 37: After "date." delete "The value of the assets for the valuation period ending" insert "The value of the assets for the valuation period ending June 30, 1991 shall be the value of the assets for the preceding valuation period increased by $8\frac{3}{4}\%$, plus the net cash flow for the valuation period (the difference between the benefits paid by the system and the contributions to the system) increased by $4\frac{3}{8}\%$, plus 20% of the difference between this expected value and the full market value of the assets as of June 30, 1991."

Page 49, Section 29, Lines 38-44: Delete in entirety

Page 50, Section 30, Line 54: Delete "not exceed" insert "be"

Page 52, Section 33, Line 28: After "systems]" delete "on but not before July"

Page 52, Section 33, Line 29: Delete "1" insert "on or before June 30"

Page 52, Section 33, After Line 34: Insert the following:
"Notwithstanding the provisions of N.J.S. 18A:7D-3, maximum Statewide foundation aid for the purpose of computing each district's foundation aid for the 1992-93 school year shall equal \$2,370,546,000."

Notwithstanding the provisions of N.J.S. 18A:7D-6, each district's maximum foundation budget shall be reduced by the amount of the anticipated pension aid payable to the school district for the 1992-93 school year pursuant to the notices provided to each district on January 28, 1992."

Page 52, Section 34, Line 37: After "State" delete "on July 1, 1992" insert "for fiscal year 1992"; after "June 30," delete "1993," insert "1992, any payment of contributions to a retirement system or pension fund requirement to be made by the State for fiscal year 1993 shall be due no later than June 30, 1993,"

Page 53, After Section 38, After Line 17: Insert new section 39 as follows "Notwithstanding the provisions of section 29 of P.L. 1992, c. (now pending as Senate Bill No. 1000 (1R)), an amount not less than \$769,000,000 refunded to the State from the retirement systems pursuant to section 33 of P.L. 1992, c. (now pending as this bill) shall be reflected as a resource to the General Fund for fiscal year 1993 on July 1, 1992."

Page 53, Section 39, Line 28: Delete "39" insert "40"

Page 53, Section 40, Line 30: Delete "40" insert "41"

~~Respectfully,~~

Respectfully

/s/ Jim Florio

GOVERNOR

[seal]

Attest:

/s/ M. Robert DeCotiis

Chief Counsel to the Governor