

LEGISLATIVE HISTORY CHECKLIST  
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(State administered retirement systems revise)

JSA: 18A:66-2 et al

LAWS OF: 1992 CHAPTER: 41

BILL NO: S540

SPONSOR(S) Inversion and Littell

DATE INTRODUCED: March 12, 1992

COMMITTEE: ASSEMBLY: ---  
SENATE: Budget

MENDED DURING PASSAGE: Yes Senate committee substitute (2R) enacted

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SENATE: June 25, 1992 Re-enacted 6-30-92

DATE OF APPROVAL: July 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~~ YES

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.  
KEG: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:

<sup>1</sup> Senate floor amendments adopted June 18, 1992.

<sup>2</sup> 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] <sup>2</sup>[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 prepared<sup>2</sup> [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] <sup>2</sup>[beginning with the valuation]<sup>2</sup> as of March 31, 1990, <sup>2</sup>[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,]<sup>2</sup> 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 <sup>2</sup>[board of trustees] State Treasurer<sup>2</sup>  
16 after consultation with the Directors of the Divisions of  
17 Investment and Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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 <sup>2</sup>[board of trustees] State  
31 Treasurer<sup>2</sup> shall determine, upon the advice of the Director of  
32 the Division of Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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." <sup>2</sup>[The accrued liability contribution rate shall remain  
37 constant unless it is redetermined following a significant change  
38 in benefits or actuarial assumptions.]<sup>2</sup> 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. <sup>2</sup>[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.<sup>2</sup>

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. <sup>1</sup>[the phase-in period  
20 shall commence with valuation year 1987 and shall not exceed 25  
21 years, b.]<sup>1</sup> 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 <sup>1</sup>[c.] b. (1)<sup>1</sup>  
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 1993<sup>1</sup>, 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 1994<sup>1</sup>. 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] <sup>2</sup>[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 reason<sup>2</sup>.

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 <sup>2</sup>[board] Attorney General<sup>2</sup>  
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 <sup>2</sup>[or if the Attorney General  
11 refuses to represent the board]<sup>2</sup>, 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] <sup>2</sup>[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 prepared<sup>2</sup> [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] <sup>2</sup>[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 reason<sup>2</sup>. 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 <sup>2</sup>[State House Commission]  
24 Attorney General<sup>2</sup> 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 <sup>2</sup>[or if  
27 the Attorney General refuses to represent the commission]<sup>2</sup>, 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] <sup>2</sup>[, beginning with the valuation]<sup>2</sup> as of June 30,  
22 1990, <sup>2</sup>[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,]<sup>2</sup> 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 <sup>2</sup>[commission] State Treasurer<sup>2</sup> after consultation with the  
29 Directors of the Divisions of Investment and Pensions <sup>2</sup>, the  
30 commission<sup>2</sup> 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 <sup>2</sup>[commission] State Treasurer<sup>2</sup> shall determine,  
42 upon the advice of the Director of the Division of Pensions <sup>2</sup>, the  
43 commission<sup>2</sup> 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." <sup>2</sup>[The accrued liability  
47 contribution rate shall remain constant unless it is redetermined  
48 following a significant change in benefits or actuarial  
49 assumptions.]<sup>2</sup> 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.<sup>2</sup>

15 The tables of actuarial assumptions previously adopted by the  
16 2[board of trustees] commission<sup>2</sup> 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 <sup>1</sup>[may] shall<sup>1</sup> 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 <sup>2</sup>[not exceed] be<sup>2</sup> 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] <sup>2</sup>[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 prepared<sup>2</sup> [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  
47 and] 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] <sup>2</sup>[ 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 reason<sup>2</sup>.

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 <sup>2</sup>[board] Attorney General<sup>2</sup>  
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 <sup>2</sup>[or if the Attorney General  
15 refuses to represent the board]<sup>2</sup>, 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)] <sup>2</sup>[, beginning with the valuation]<sup>2</sup> as of  
12 March 31, 1990, <sup>2</sup>[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,]<sup>2</sup> 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 <sup>2</sup>[oard of trustees]  
21 State Treasurer<sup>2</sup> after consultation with the Directors of the  
22 Divisions of Investment and Pensions <sup>2</sup>, the board of trustees<sup>2</sup>  
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 <sup>2</sup>[board of  
43 trustees] State Treasurer<sup>2</sup> shall determine, upon the advice of the  
44 Director of the Division of Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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." <sup>2</sup>[The accrued liability contribution rate shall  
49 remain constant unless it is redetermined following a significant  
50 change in benefits or actuarial assumptions.]<sup>2</sup> 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. <sup>2</sup>[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.<sup>2</sup>

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 <sup>1</sup>[may] shall<sup>1</sup> 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) <sup>1</sup>[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:

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

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.<sup>1</sup> 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 <sup>2</sup>[commission]  
37 State Treasurer<sup>2</sup> after consultation with the Directors of the  
38 Divisions of Investment and Pensions <sup>2</sup>, the commission<sup>2</sup> 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 <sup>2</sup>[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.<sup>2</sup>

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) <sup>2</sup>[, 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]<sup>2</sup>.

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 <sup>2</sup>[commission] Attorney General<sup>2</sup> 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 <sup>2</sup>[or if the Attorney General refuses to represent the  
48 commission]<sup>2</sup>, 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] <sup>2</sup>[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 reason<sup>2</sup>. 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] <sup>2</sup>[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 prepared<sup>2</sup>. [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] <sup>2</sup>[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 prepared<sup>2</sup> [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 <sup>2</sup>[board] Attorney General<sup>2</sup> 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 <sup>2</sup>[or if the Attorney General refuses to  
44 represent the board]<sup>2</sup>, 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] <sup>2</sup>[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 reason<sup>2</sup>. 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] <sup>2</sup>[, beginning with  
37 the valuation]<sup>2</sup> as of June 30, 1989,<sup>2</sup>[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,]<sup>2</sup> 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 <sup>2</sup>[board of trustees] State Treasurer<sup>2</sup>  
44 after consultation with the Directors of the Divisions of  
45 Investment and Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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 <sup>2</sup>[board of trustees] State Treasurer<sup>2</sup> shall  
5 determine, upon the advice of the Director of the Division of  
6 Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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." <sup>2</sup>[The accrued  
10 liability contribution rate shall remain constant unless it is  
11 redetermined following a significant change in benefits or  
12 actuarial assumptions.]<sup>2</sup> 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 <sup>2</sup>[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.<sup>2</sup>

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 <sup>2</sup>[, medical premium inflation]<sup>2</sup> 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) <sup>1</sup>[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.<sup>1</sup>

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 <sup>1</sup>[may] shall<sup>1</sup> 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 <sup>2</sup>[not exceed 25] begin with valuation year 1989 and shall be  
4 30<sup>2</sup> 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 retirant.

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 retirant'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 retirant'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] <sup>2</sup>[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 prepared<sup>2</sup> [ 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] <sup>2</sup>[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 reason<sup>2</sup>. 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 <sup>2</sup>[board] Attorney General<sup>2</sup>  
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 <sup>2</sup>[or if the Attorney General  
48 refuses to represent the board]<sup>2</sup>, 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] <sup>2</sup>[, beginning with the  
49 valuation]<sup>2</sup> as of June 30, 1990, <sup>2</sup>[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,]<sup>2</sup> 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 <sup>2</sup>[board of trustees] State Treasurer<sup>2</sup>  
2 after consultation with the Directors of the Divisions of  
3 Investment and Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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 <sup>2</sup>[board of trustees] State  
15 Treasurer<sup>2</sup> shall determine, upon the advice of the Director of  
16 the Division of Pensions <sup>2</sup>, the board of trustees<sup>2</sup> 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." <sup>2</sup>[The accrued liability contribution rate shall  
21 remain constant unless it is redetermined following a significant  
22 change in benefits or actuarial assumptions.]<sup>2</sup> 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 <sup>2</sup>[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.<sup>2</sup>

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 <sup>1</sup>[may] shall<sup>1</sup> 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 <sup>2</sup>[not exceed] be<sup>2</sup> 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  
22 the State Police Retirement System, the Board of Trustees of the  
23 Teachers' Pension and Annuity Fund, the Board of Trustees of  
24 the 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 <sup>1</sup>[or credited against future State contributions to the  
25 retirement systems] <sup>2</sup>[on but not before July 1] on or before  
26 June 30<sup>2</sup>, 1992<sup>1</sup>.

27 In the case of payments of contributions to the Teachers'  
28 Pension and Annuity Fund, any such refund <sup>1</sup>[or credit]<sup>1</sup> 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 <sup>2</sup>Notwithstanding 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.<sup>2</sup>

41 34. (New section) Any payment of contributions to a  
42 retirement system or pension fund required to be made by the  
43 State <sup>2</sup>[on July 1, 1992] for fiscal year 1992<sup>2</sup> shall be due no later  
44 than June 30, <sup>2</sup>[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,<sup>2</sup> 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 <sup>2</sup>39. (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.<sup>2</sup>

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

34 <sup>1</sup>[41.] <sup>2</sup>[40.1] <sup>41.2</sup> 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- or  
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.

## 1 SPONSOR'S STATEMENT

2

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

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

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

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

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

33 The financial condition of the State retirement systems has  
34 changed dramatically in the last 10 to 15 years. The percentage  
35 of assets which may be invested in stocks was gradually increased  
36 to the current authorized level of 60%. The rate of return on the  
37 assets of the pension funds rose. From 1982 through 1991, the  
38 retirement systems experienced a large growth in assets, from \$6  
39 billion to \$29 billion at market value for an average annual rate  
40 of growth of 19%. This growth includes employer and employee  
41 contributions and return on investments. The annual rate of  
42 return on investments alone over the same time period was  
43 15.5%. This growth in assets and return on investments far  
44 outpaced the growth in benefit payments from the retirement  
45 systems. The return on investments exceeded the disbursements  
46 in every year. The benefit payroll was more than covered by the  
47 return on investments, with a substantial amount left over to add  
48 to the asset pool. The revenue of the systems has been from two  
49 and one-half to three times the amount of benefits paid by the  
50 systems in recent years. The revaluation proposed by this bill  
51 will permit use of more realistic values for the assets of the  
52 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.

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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  $8\frac{3}{4}\%$ , 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 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."

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

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."

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

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

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# OFFICE OF THE GOVERNOR NEWS RELEASE

**CN-001**

**TRENTON, N.J. 08625**

**Contact:**

Jon Shure  
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609-777-2600

**Release:**

Tuesday  
July 28, 1992

## **GOVERNOR FLORIO SIGNS BILL PROTECTING POLICYHOLDERS OF LIFE AND HEALTH INSURERS**

Governor Jim Florio today signed legislation that protects the interests of policyholders and annuitants of troubled life and health insurers by giving their claims priority over large corporate creditors.

At a bill signing attended by members of the Mutual Benefit Life Annuitants Association, Gov. Florio praised the aggressive lobbying effort by a group of annuitants that helped the bill gain passage.

"It would have been easy for the Annuitants Association to complain while the special interests cleaned up," Gov. Florio said. "But the men and women of your Association knew Mutual Benefit's creditors had nothing to lose but a few ticks of profit on a tiny slice of their massive investment portfolios, while the policyholders were only asking for the benefits they'd already paid for."

"You formed a grass roots group, you got the word out, you testified before committees, you insisted on a fair deal, and you won," Gov. Florio said.

"Today we sign a law that takes care of customers first, and multi-national banks later," Gov. Florio said. "We sign a law that provides peace of mind for Mutual Benefit employees, and over 600,000 Mutual Benefit policy and annuity holders. And this time, the special interests have to get in line, behind the policyholders and annuitants who were counting on their investments for retirement."

The bill was approved despite an energetic lobbying effort on behalf of several large banks, which sought equal footing with policyholders and annuitants in recovering debts from Mutual Benefit. Those financial institutions had advanced a competing legislative proposal that would have protected their interests at the expense of policyholders.

-more-

Insurance Commissioner Samuel F. Fortunato said passage of the bill is required in order for the state to move ahead on efforts to reach an agreement with the insurance industry and the National Association of Life and Health Guaranty Associations that will provide a full guarantee of all Mutual Benefit policyholder claims. Work on that agreement is ongoing.

"From the beginning of the rehabilitation process, Governor Florio and I had one goal -- to protect the interests of Mutual Benefit's policyholders and annuitants," Commissioner Fortunato said. "This bill and the cooperation of the insurance industry will clear the way for a rehabilitation plan that ensures the company honors its obligations to its policyholders."

Until today, New Jersey was one of six states that did not have a law in place outlining the priority of claims during the rehabilitation or liquidation of a life or health insurer.

In addition to giving policyholders priority over general unsecured creditors, the bill makes several other statutory changes that better enable the state to rehabilitate financially troubled insurers. These changes include expanding the commissioner's authority to obtain court injunctions to prevent the transfer of property by an insurers, and allowing speedier resolution of proceedings in which delays could harm policyholders and the general public.

In addition, the law provides added grounds on which the commissioner may intercede in a troubled insurer company and gives the state broader powers to prevent fraudulent transfers of assets both before and after a state rehabilitation or liquidation of a company is started.

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