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- "State pension boon signed into law," 1-19-00, Trentonian, p. 3

P.L. 1999, CHAPTER 415, *approved January 18, 2000*

Senate, No. 2231

1 **AN ACT** concerning contributions to the Public Employees' Retirement
2 System of New Jersey and amending P.L.1954, c.84.

3

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

6

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

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

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

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

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 accrued liability as a result of actuarial losses or gains for subsequent
2 valuation years shall serve to increase or decrease, respectively, the
3 amortization period for the unfunded accrued liability, unless an
4 increase in the amortization period will cause it to exceed 30 years.
5 If an increase in the amortization period as a result of actuarial losses
6 for a valuation year would exceed 30 years, the accrued liability
7 contribution shall be computed for the valuation year in the same
8 manner provided for the computation of the initial accrued liability
9 contribution under this section.

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

41 The value of the assets to be used in the computation of the
42 contributions provided for under this section for valuation periods
43 shall be the value of the assets for the preceding valuation period
44 increased by the regular interest rate, plus the net cash flow for the
45 valuation period (the difference between the benefits and expenses
46 paid by the system and the contributions to the system) increased by

1 one half of the regular interest rate, plus 20% of the difference
2 between this expected value and the full market value of the assets as
3 of the end of the valuation period. This shall be known as the
4 "valuation assets." Notwithstanding the first sentence of this
5 paragraph, the valuation assets for the valuation period ending March
6 31, 1996 shall be the full market value of the assets as of that date and,
7 with respect to the valuation assets allocated to the State, shall include
8 the proceeds from the bonds issued pursuant to the Pension Bond
9 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
10 to the system by the New Jersey Economic Development Authority to
11 fund the unfunded accrued liability of the system.

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

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

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

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

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

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

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

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

33 (2) the actuarial accrued liability of the other employers for basic
34 benefits and pension adjustment benefits under the retirement system,
35 excluding the unfunded accrued liability for early retirement incentive
36 benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993,
37 c.138, and P.L.1993, c.181, for employers other than the State; less

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

41 (4) the present value of the projected total normal cost for pension
42 adjustment benefits in excess of the projected total phased-in normal
43 cost for pension adjustment benefits for the other employers
44 authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full
45 phase-in period, determined in the manner prescribed for the
46 determination and amortization of the unfunded accrued liability of the

1 system, if the sum of the foregoing items is greater than zero.

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

19 (1) for valuation periods ending March 31, 1997 through
20 March 31, 2001, to the extent possible by up to 100% of the excess
21 valuation assets allocated to the State or to the other employers,
22 respectively;

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

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

29 (4) for valuation periods ending on or after March 31, 2004, to the
30 extent possible by up to 50% of the excess valuation assets allocated
31 to the State or to the other employers, respectively.

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

1 normal contribution shall be available for the further reduction of
2 normal contributions, subject to the limitations prescribed by this
3 subsection.

4 c. The retirement system shall certify annually the aggregate
5 amount payable to the contingent reserve fund in the ensuing year,
6 which amount shall be equal to the sum of the amounts described in
7 this section. The State shall pay into the contingent reserve fund
8 during the ensuing year the amount so determined. The death benefits,
9 payable as a result of contribution by the State under the provisions of
10 this chapter upon the death of an active or retired member, shall be
11 paid from the contingent reserve fund.

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

15 (cf: P.L.1997, c.115, s.5)

16

17 2. This act shall take effect immediately.

18

19

20

STATEMENT

21

22 This bill provides for a reduction in the contribution rate required
23 of State and local government employees who are members of the
24 Public Employees' Retirement System (PERS) equal to 2% of
25 compensation for calendar years 2000 and 2001, and for a contribution
26 rate reduction of up to 2% of compensation in future calendar years
27 if the State Treasurer determines that excess valuation assets will be
28 used to reduce the normal contributions made to the system by the
29 State and local employers in a fiscal year beginning immediately prior
30 to a calendar year.

31 Current law provided a reduction in the PERS contribution rate
32 required of State and local government employees equal to 1/2 of 1%
33 of compensation for calendar years 1998 and 1999, and provides a
34 reduction of up to 1/2 of 1% of compensation in future calendar years
35 if the State Treasurer determines that excess valuation assets will be
36 be used to reduce normal State and local employer contributions to the
37 system in a fiscal year beginning immediately prior to a calendar year.

38

39

40

41

42 Reduces PERS employee contribution rate by 2% for calendar years
43 2000 and 2001 and under certain circumstances thereafter.

SENATE, No. 2231

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED NOVEMBER 8, 1999

Sponsored by:

Senator DONALD T. DIFRANCESCO

District 22 (Middlesex, Morris, Somerset and Union)

Senator PETER A. INVERSO

District 14 (Mercer and Middlesex)

Co-Sponsored by:

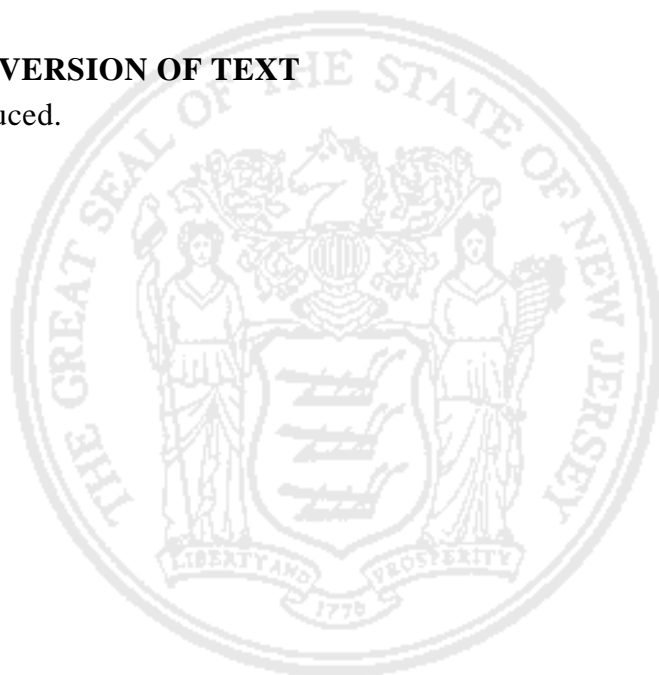
**Senators Bryant, Turner, Singer, Allen, Sinagra, Matheussen,
Assemblyman Kramer, Assemblywomen Wright, Watson Coleman and
Assemblyman Gusciora**

SYNOPSIS

Reduces PERS employee contribution rate by 2% for calendar years 2000 and 2001 and under certain circumstances thereafter.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/11/2000)

S2231 DIFRANCESCO, INVERSO

2

1 AN ACT concerning contributions to the Public Employees' Retirement
2 System of New Jersey and amending P.L.1954, c.84.

3

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

6

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

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

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

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

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Matter underlined thus is new matter.

1 amortization period for the unfunded accrued liability, unless an
2 increase in the amortization period will cause it to exceed 30 years.
3 If an increase in the amortization period as a result of actuarial losses
4 for a valuation year would exceed 30 years, the accrued liability
5 contribution shall be computed for the valuation year in the same
6 manner provided for the computation of the initial accrued liability
7 contribution under this section.

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

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

1 of the end of the valuation period. This shall be known as the
2 "valuation assets." Notwithstanding the first sentence of this
3 paragraph, the valuation assets for the valuation period ending March
4 31, 1996 shall be the full market value of the assets as of that date and,
5 with respect to the valuation assets allocated to the State, shall include
6 the proceeds from the bonds issued pursuant to the Pension Bond
7 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
8 to the system by the New Jersey Economic Development Authority to
9 fund the unfunded accrued liability of the system.

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

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

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

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

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

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

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

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

31 (2) the actuarial accrued liability of the other employers for basic
32 benefits and pension adjustment benefits under the retirement system,
33 excluding the unfunded accrued liability for early retirement incentive
34 benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993,
35 c.138, and P.L.1993, c.181, for employers other than the State; less

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

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

46 If there are excess valuation assets allocated to the State or to the

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

17 (1) for valuation periods ending March 31, 1997 through
18 March 31, 2001, to the extent possible by up to 100% of the excess
19 valuation assets allocated to the State or to the other employers,
20 respectively;

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

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

27 (4) for valuation periods ending on or after March 31, 2004, to the
28 extent possible by up to 50% of the excess valuation assets allocated
29 to the State or to the other employers, respectively.

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

1 subsection.

2 c. The retirement system shall certify annually the aggregate
3 amount payable to the contingent reserve fund in the ensuing year,
4 which amount shall be equal to the sum of the amounts described in
5 this section. The State shall pay into the contingent reserve fund
6 during the ensuing year the amount so determined. The death benefits,
7 payable as a result of contribution by the State under the provisions of
8 this chapter upon the death of an active or retired member, shall be
9 paid from the contingent reserve fund.

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

13 (cf: P.L.1997, c.115, s.5)

14

15 2. This act shall take effect immediately.

16

17

18

STATEMENT

19

20 This bill provides for a reduction in the contribution rate required
21 of State and local government employees who are members of the
22 Public Employees' Retirement System (PERS) equal to 2% of
23 compensation for calendar years 2000 and 2001, and for a contribution
24 rate reduction of up to 2% of compensation in future calendar years
25 if the State Treasurer determines that excess valuation assets will be
26 used to reduce the normal contributions made to the system by the
27 State and local employers in a fiscal year beginning immediately prior
28 to a calendar year.

29 Current law provided a reduction in the PERS contribution rate
30 required of State and local government employees equal to 1/2 of 1%
31 of compensation for calendar years 1998 and 1999, and provides a
32 reduction of up to 1/2 of 1% of compensation in future calendar years
33 if the State Treasurer determines that excess valuation assets will be
34 be used to reduce normal State and local employer contributions to the
35 system in a fiscal year beginning immediately prior to a calendar year.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2231

STATE OF NEW JERSEY

DATED: JANUARY 6, 2000

The Assembly Appropriations Committee reports favorably Senate Bill No. 2231.

Senate Bill No. 2231 provides for a reduction in the contribution rate required of State and local government employees who are members of the Public Employees' Retirement System (PERS) equal to 2 percent of compensation for calendar years 2000 and 2001, and for a contribution rate reduction of up to 2 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year.

Current law provided a reduction in the PERS contribution rate required of State and local government employees equal to 1/2 of 1 percent of compensation for calendar years 1998 and 1999, and provides a reduction of up to 1/2 of 1 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce normal State and local employer contributions to the system in a fiscal year beginning immediately prior to a calendar year.

As reported, this bill is identical to Assembly Bill No. 3570, as also reported by the committee.

FISCAL IMPACT:

The Department of Treasury estimates that the current 1/2 percent reduction, from 5 percent to 4.5 percent, in employee contributions to PERS pursuant to The "Pension Bond Financing Act of 1997," P.L.1997, c.114, will result in contribution savings for State employees of \$15.6 million during fiscal year 2000. In addition, according to the March 31, 1998 actuarial valuation report by Millman & Robertson Inc., the current reduction for local PERS employees is valued at approximately \$25.5 million for FY 2000.

Extrapolating from this information, the OLS estimates that the value of the contribution reduction to State employees in PERS as a result of this legislation will be approximately \$96 million over the next two calendar years, while the value of employee contribution savings for local employees during this period will be approximately \$156 million. Effectively, the savings to State and local PERS

employees amounts to a 1 1/2 percent reduction in contributions given the current reduction of 1/2 percent.

After 2001, a reduction of up to two percent in employee contributions is contingent upon the annual determination of the State Treasurer that excess valuation assets may be used to reduce normal contributions.

Given the growth in the market value of assets of the PERS pension fund (reported to be \$25.1 billion at the start of this year, up from \$14 billion in 1995), it is anticipated that this legislation will have no impact on the General Fund in the foreseeable future. However, to the extent that a reduction in contributions translates into foregone fund assets, there will be fewer excess valuation assets in future years to offset State contributions to the fund.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2231

STATE OF NEW JERSEY

DATED: NOVEMBER 15, 1999

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2231.

This bill provides for a reduction in the contribution rate required of State and local government employees who are members of the Public Employees' Retirement System (PERS) equal to 2 percent of compensation for calendar years 2000 and 2001, and for a contribution rate reduction of up to 2 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year.

Current law provided a reduction in the PERS contribution rate required of State and local government employees equal to 1/2 of 1 percent of compensation for calendar years 1998 and 1999, and provides a reduction of up to 1/2 of 1 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce normal State and local employer contributions to the system in a fiscal year beginning immediately prior to a calendar year.

FISCAL IMPACT:

The Department of Treasury estimates that the current 1/2 percent reduction, from 5 percent to 4.5 percent, in employee contributions to PERS pursuant to The "Pension Bond Financing Act of 1997," P.L.1997, c.114, will result in contribution savings for State employees of \$15.6 million during the current fiscal year. In addition, according to the March 31, 1998 actuarial valuation report by Millman & Robertson Inc., the current reduction for local PERS employees is valued at approximately \$25.5 million for FY 2000.

Extrapolating from this information, the OLS estimates that the value of the contribution reduction to State employees in PERS as a result of this legislation will be approximately \$96 million over the next two calendar years, while the value of employee contribution savings for local employees during this period will be approximately \$156 million. Effectively, the savings to State and local PERS employees amounts to a 1 1/2 percent reduction in contributions given

the current reduction of 1/2 percent.

After 2001, a reduction of up to two percent in employee contributions is contingent upon the annual determination of the State Treasurer that excess valuation assets may be used to reduce normal contributions.

Given the growth in the market value of assets of the PERS pension fund (reported to be \$25.1 billion at the start of this year, up from \$14 billion in 1995), it is anticipated that this legislation will have no impact on the General Fund in the foreseeable future. However, to the extent that a reduction in contributions translates into foregone fund assets, there will be fewer excess valuation assets in future years to offset State contributions to the fund.

FISCAL NOTE

SENATE, No. 2231

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JANUARY 4, 2000

BILL SUMMARY

Senate Bill No. 2231 of 1999 provides for a reduction in the contribution rate required of State and local government employees who are members of the Public Employees' Retirement System (PERS) equal to 2 percent of compensation for calendar years 2000 and 2001, and for a contribution rate reduction of up to 2 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year.

Current law provided a reduction in the PERS contribution rate required of State and local government employees equal to 1/2 of 1 percent of compensation for calendar years 1998 and 1999, and provides a reduction of up to 1/2 of 1 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce normal State and local employer contributions to the system in a fiscal year beginning immediately prior to a calendar year.

AGENCY COMMENTS

The Department of Treasury estimates that the current 1/2 percent reduction, from 5 percent to 4.5 percent, in employee contributions to PERS pursuant to The "Pension Bond Financing Act of 1997," P.L.1997, c.114, will result in contribution savings for State employees of \$15.6 million during the current fiscal year. In addition, according to the March 31, 1998 actuarial valuation report by Millman & Robertson Inc., the current reduction for local PERS employees is valued at approximately \$25.5 million for FY 2000.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

Extrapolating from this information, the Office of Legislative

Services (OLS) estimates that the value of the contribution reduction to State employees in PERS as a result of this legislation will be approximately \$96 million over the next two calendar years, while the value of employee contribution savings for local employees during this period will be approximately \$156 million. Effectively, the savings to State and local PERS employees amounts to a 1 1/2 percent reduction in contributions given the current reduction of 1/2 percent.

After 2001, a reduction of up to two percent in employee contributions is contingent upon the annual determination of the State Treasurer that excess valuation assets may be used to reduce normal contributions.

Given the growth in the market value of assets of the PERS pension fund (reported to be \$25.1 billion at the start of this year, up from \$14 billion in 1995), it is anticipated that this legislation will have no impact on the General Fund in the foreseeable future. However, to the extent that a reduction in contributions translates into foregone fund assets, there will be fewer excess valuation assets in future years to offset State contributions to the fund.

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

ASSEMBLY, No. 3570

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED DECEMBER 2, 1999

Sponsored by:

Assemblyman PAUL KRAMER

District 14 (Mercer and Middlesex)

Assemblywoman BARBARA WRIGHT

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Assemblywoman Watson Coleman and Assemblyman Gusciora

SYNOPSIS

Reduces PERS employee contribution rate by 2% for calendar years 2000 and 2001 and under certain circumstances thereafter.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/11/2000)

A3570 KRAMER, WRIGHT

2

1 AN ACT concerning contributions to the Public Employees' Retirement
2 System of New Jersey and amending P.L.1954, c.84.

3

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

6

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

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

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

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

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

Matter underlined thus is new matter.

1 amortization period for the unfunded accrued liability, unless an
2 increase in the amortization period will cause it to exceed 30 years.
3 If an increase in the amortization period as a result of actuarial losses
4 for a valuation year would exceed 30 years, the accrued liability
5 contribution shall be computed for the valuation year in the same
6 manner provided for the computation of the initial accrued liability
7 contribution under this section.

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

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

1 of the end of the valuation period. This shall be known as the
2 "valuation assets." Notwithstanding the first sentence of this
3 paragraph, the valuation assets for the valuation period ending March
4 31, 1996 shall be the full market value of the assets as of that date and,
5 with respect to the valuation assets allocated to the State, shall include
6 the proceeds from the bonds issued pursuant to the Pension Bond
7 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
8 to the system by the New Jersey Economic Development Authority to
9 fund the unfunded accrued liability of the system.

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

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

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

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

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

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

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

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

31 (2) the actuarial accrued liability of the other employers for basic
32 benefits and pension adjustment benefits under the retirement system,
33 excluding the unfunded accrued liability for early retirement incentive
34 benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993,
35 c.138, and P.L.1993, c.181, for employers other than the State; less

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

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

46 If there are excess valuation assets allocated to the State or to the

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

17 (1) for valuation periods ending March 31, 1997 through
18 March 31, 2001, to the extent possible by up to 100% of the excess
19 valuation assets allocated to the State or to the other employers,
20 respectively;

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

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

27 (4) for valuation periods ending on or after March 31, 2004, to the
28 extent possible by up to 50% of the excess valuation assets allocated
29 to the State or to the other employers, respectively.

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

1 subsection.

2 c. The retirement system shall certify annually the aggregate
3 amount payable to the contingent reserve fund in the ensuing year,
4 which amount shall be equal to the sum of the amounts described in
5 this section. The State shall pay into the contingent reserve fund
6 during the ensuing year the amount so determined. The death benefits,
7 payable as a result of contribution by the State under the provisions of
8 this chapter upon the death of an active or retired member, shall be
9 paid from the contingent reserve fund.

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

13 (cf: P.L.1997, c.115, s.5)

14

15 2. This act shall take effect immediately.

16

17

18 STATEMENT

19

20 This bill provides for a reduction in the contribution rate required
21 of State and local government employees who are members of the
22 Public Employees' Retirement System (PERS) equal to 2% of
23 compensation for calendar years 2000 and 2001, and for a contribution
24 rate reduction of up to 2% of compensation in future calendar years
25 if the State Treasurer determines that excess valuation assets will be
26 used to reduce the normal contributions made to the system by the
27 State and local employers in a fiscal year beginning immediately prior
28 to a calendar year.

29 Current law provided a reduction in the PERS contribution rate
30 required of State and local government employees equal to 1/2 of 1%
31 of compensation for calendar years 1998 and 1999, and provides a
32 reduction of up to 1/2 of 1% of compensation in future calendar years
33 if the State Treasurer determines that excess valuation assets will be
34 used to reduce normal State and local employer contributions to the
35 system in a fiscal year beginning immediately prior to a calendar year.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3570

STATE OF NEW JERSEY

DATED: JANUARY 6, 2000

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3570.

Assembly Bill No. 3570 provides for a reduction in the contribution rate required of State and local government employees who are members of the Public Employees' Retirement System (PERS) equal to 2 percent of compensation for calendar years 2000 and 2001, and for a contribution rate reduction of up to 2 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year.

Current law provided a reduction in the PERS contribution rate required of State and local government employees equal to 1/2 of 1 percent of compensation for calendar years 1998 and 1999, and provides a reduction of up to 1/2 of 1 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce normal State and local employer contributions to the system in a fiscal year beginning immediately prior to a calendar year.

As reported, this bill is identical to Senate Bill No. 2231, as also reported by the committee.

FISCAL IMPACT:

The Department of Treasury estimates that the current 1/2 percent reduction, from 5 percent to 4.5 percent, in employee contributions to PERS pursuant to The "Pension Bond Financing Act of 1997," P.L.1997, c.114, will result in contribution savings for State employees of \$15.6 million during fiscal year 2000. In addition, according to the March 31, 1998 actuarial valuation report by Millman & Robertson Inc., the current reduction for local PERS employees is valued at approximately \$25.5 million for FY 2000.

Extrapolating from this information, the Office of Legislative Services (OLS) estimates that the value of the contribution reduction to State employees in PERS as a result of this legislation will be approximately \$96 million over the next two calendar years, while the value of employee contribution savings for local employees during this

period will be approximately \$156 million. Effectively, the savings to State and local PERS employees amounts to a 1 1/2 percent reduction in contributions given the current reduction of 1/2 percent.

After 2001, a reduction of up to two percent in employee contributions is contingent upon the annual determination of the State Treasurer that excess valuation assets may be used to reduce normal contributions.

Given the growth in the market value of assets of the PERS pension fund (reported to be \$25.1 billion at the start of this year, up from \$14 billion in 1995), it is anticipated that this legislation will have no impact on the General Fund in the foreseeable future. However, to the extent that a reduction in contributions translates into foregone fund assets, there will be fewer excess valuation assets in future years to offset State contributions to the fund.

FISCAL NOTE

ASSEMBLY, No. 3570

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JANUARY 10, 2000

BILL SUMMARY

Assembly Bill No. 3570 of 1999 provides for a reduction in the contribution rate required of State and local government employees who are members of the Public Employees' Retirement System (PERS) equal to 2 percent of compensation for calendar years 2000 and 2001, and for a contribution rate reduction of up to 2 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year.

Current law provided a reduction in the PERS contribution rate required of State and local government employees equal to 1/2 of 1 percent of compensation for calendar years 1998 and 1999, and provides a reduction of up to 1/2 of 1 percent of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce normal State and local employer contributions to the system in a fiscal year beginning immediately prior to a calendar year.

AGENCY COMMENTS

The Department of Treasury estimates that the current 1/2 percent reduction, from 5 percent to 4.5 percent, in employee contributions to PERS pursuant to The "Pension Bond Financing Act of 1997," P.L.1997, c.114, will result in contribution savings for State employees of \$15.6 million during the current fiscal year. In addition, according to the March 31, 1998 actuarial valuation report by Millman & Robertson Inc., the current reduction for local PERS employees is valued at approximately \$25.5 million for FY 2000.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

Extrapolating from this information, the Office of Legislative Services (OLS) estimates that the value of the contribution reduction to State employees in PERS as a result of this legislation will be approximately \$96 million over the next two calendar years, while the value of employee contribution savings for local employees during this period will be approximately \$156 million. Effectively, the savings to State and local PERS employees amounts to a 1 1/2 percent reduction in contributions given the current reduction of 1/2 percent.

After 2001, a reduction of up to two percent in employee contributions is contingent upon the annual determination of the State Treasurer that excess valuation assets may be used to reduce normal contributions.

Given the growth in the market value of assets of the PERS pension fund (reported to be \$25.1 billion at the start of this year, up from \$14 billion in 1995), it is anticipated that this legislation will have no impact on the General Fund in the foreseeable future. However, to the extent that a reduction in contributions translates into foregone fund assets, there will be fewer excess valuation assets in future years to offset State contributions to the fund.

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