

# Chapter 78, P.L. 2011

(Approved June 28, 2011)

## SENATE, No. 2937

# STATE OF NEW JERSEY

## 214th LEGISLATURE

INTRODUCED JUNE 13, 2011

**Sponsored by:**

**Senator STEPHEN M. SWEENEY**

**District 3 (Salem, Cumberland and Gloucester)**

**Senator JOSEPH PENNACCHIO**

**District 26 (Morris and Passaic)**

**Assemblyman LOUIS D. GREENWALD**

**District 6 (Camden)**

**Assemblyman DECLAN J. O'SCANLON, JR.**

**District 12 (Mercer and Monmouth)**

**Co-Sponsored by:**

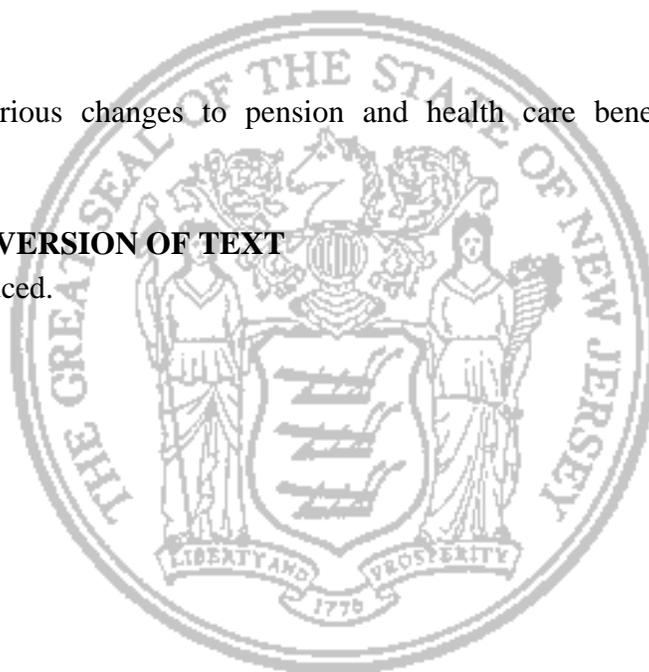
**Senator Beck**

**SYNOPSIS**

Makes various changes to pension and health care benefits for public employees.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/24/2011)

Chapter 78, P.L. 2011

2

1 AN ACT concerning public employee pension and health care  
2 benefits, and amending and supplementing various parts of the  
3 statutory law and repealing P.L.1999, c.96, P.L.1985, c.414, and  
4 section 2 of P.L.1989, c.6.

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

8  
9 1. N.J.S.18A:66-56 is amended to read as follows:

10 18A:66-56. a. (1) Subject to the provisions of chapter 70 of the  
11 laws of 1955, the general responsibility for the proper operation of  
12 the teachers' pension and annuity fund shall be vested in the board  
13 of trustees, and, as specified, in the committee established pursuant  
14 to subsection b. of this section. Subject to the limitations of the law,  
15 the board shall annually establish rules and regulations for the  
16 administration and transaction of **[its]** the board's and committee's  
17 business and for the control of the funds created by this article.  
18 Such rules and regulations shall be consistent with those adopted by  
19 the other pension funds within the Division of Pensions and  
20 Benefits in order to permit the most economical and uniform  
21 administration of all such retirement systems. The committee shall  
22 adopt such regulations as provided in subsection b. of this section.

23 (2) The membership of the board shall consist of the following:

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

26 (b) Two trustees appointed by the Governor, with the advice and  
27 consent of the Senate, who shall serve for a term of office of three  
28 years and until their successors are appointed, and who shall be  
29 private citizens of the State of New Jersey and who are neither an  
30 officer thereof nor active or retired members of the system, except  
31 that of the two trustees initially appointed by the Governor pursuant  
32 to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a  
33 term of two years and one for a term of three years;

34 (c) Three trustees from among the active or retired members of  
35 the retirement system, elected by the membership or by the  
36 delegates elected for this purpose by the membership, one of whom  
37 shall be elected each year for a three-year term commencing on  
38 January 1, following such election in such manner as the board of  
39 trustees may prescribe. If the board of trustees determines that the  
40 election of trustees under this subsection is to be made by delegates  
41 elected by the membership, it shall prescribe that those delegates  
42 shall be chosen from among active and retired members of the  
43 retirement system;

**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.

## Chapter 78, P.L. 2011

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

4 (3) A vacancy occurring in the board of trustees shall be filled in  
5 the same manner as provided in this section for regular appointment  
6 or election to the position where the vacancy exists, except that a  
7 vacancy occurring in the trustees elected from among the active or  
8 retired members of the retirement system shall be filled for the  
9 unexpired term.

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

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

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

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

36 b. There is established a committee to be composed of eight  
37 members, four of whom shall be appointed by the Governor as  
38 representatives of public employers whose employees are enrolled  
39 in the retirement system, three of whom shall be appointed by the  
40 head of the union representing the greatest number of members of  
41 the retirement system having union membership, and one of whom  
42 shall be appointed by the head of the union representing the second  
43 greatest number of members of the retirement system having union  
44 membership. The members of the committee shall not be appointed  
45 until the system, or part of the system, attains the target funded  
46 ratio.

47 The members of the committee shall serve for a term of three  
48 years and until a successor is appointed and qualified. Of the initial

Chapter 78, P.L. 2011

1 appointments by the Governor, two members shall serve for two  
2 years and until a successor is appointed and qualified, and one shall  
3 serve for one year and until a successor is appointed and qualified.  
4 Of the initial appointments by the head of the union representing  
5 the greatest number of members of the retirement system, one  
6 member shall serve for two years and until a successor is appointed  
7 and qualified, and one shall serve for one year and until a successor  
8 is appointed and qualified.

9 The members of the committee shall select a chairperson from  
10 among the members, who shall serve for a term of one year, with no  
11 member serving more than one term, until all the members of the  
12 committee have served a term in a manner alternating among the  
13 employer representatives and employee representatives, unless the  
14 committee determines otherwise with regard to this process.

15 The provisions of paragraph (3) of subsection a. of this section,  
16 and N.J.S.18A:66-60, shall apply to the committee and its members,  
17 as appropriate.

18 Upon the convening of any meeting of the committee, the  
19 members shall consider a motion to assume the authority provided  
20 in this subsection and shall proceed only if a majority of the  
21 members of the committee vote in the affirmative on that motion.

22 The committee may contract with such actuaries or consultants,  
23 or both, in accordance with the provisions of P.L.1954, c.48  
24 (C.52:34-6 et seq.), as the committee may deem necessary to  
25 perform its duties, when the system or part of the system has  
26 attained the target funded ratio.

27 When the retirement system, or a part of the system, has attained  
28 the target funded ratio as defined in section 27 of P.L. \_\_\_\_\_,  
29 c. (C. \_\_\_\_\_) (pending before the Legislature as this bill), the  
30 committee shall have the discretionary authority for the system or  
31 for that part, as appropriate, to (1) modify the: member contribution  
32 rate; formula for calculation of final compensation; the fraction of  
33 compensation applied to service credited after the modification; age  
34 at which a member may be eligible for and the benefits for service  
35 or early retirement; and benefits provided for disability retirement;  
36 and (2) activate the application of the "Pension Adjustment Act,"  
37 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that  
38 the system or part is at or above the target funded ratio and modify  
39 the basis for the calculation of the adjustment and set the duration  
40 and extent of the activation. The committee shall give priority  
41 consideration to subparagraph (2) of this paragraph. The committee  
42 shall not have the authority to change the years of creditable service  
43 required for vesting.

44 The committee may consider a matter described above and  
45 render a decision notwithstanding that the provisions of the  
46 statutory law may set forth a specific requirement on that matter.

47 The committee may consider a matter described above and  
48 render a decision notwithstanding that the provisions of the

Chapter 78, P.L. 2011

1 statutory law do not set forth a specific requirement on the  
2 considered aspect of that matter or address that matter at all.

3 The members of the committee shall have the same duty and  
4 responsibility to the retirement system as do the members of the  
5 board of trustees. No decision of the committee shall be  
6 implemented if the direct or indirect result of the decision will be  
7 that the system's or part's funded ratio falls below the target funded  
8 ratio in any valuation period during the 30 years following the  
9 implementation of the decision. The actuary of the fund shall make  
10 a determination of the result in that regard and submit that  
11 determination in a written report to the committee and the board  
12 prior to the implementation of the decision.

13 If any matter before the committee receives at least five votes in  
14 the affirmative, the board of trustees shall approve and implement  
15 the committee's decision.

16 If any matter regarding benefits before the committee receives  
17 four votes in the affirmative and four votes in the negative or the  
18 committee otherwise reaches an impasse on a decision, the  
19 provisions of section 33 of P.L. , c. (C. ) (pending before the  
20 Legislature as this bill) shall be followed.

21 A final action of the committee shall be made by the adoption of  
22 a regulation that shall identify the modifications to the system by  
23 reference to statutory section. The regulations shall also specify the  
24 effective date of the modification and the system members,  
25 including beneficiaries and retirees, to whom the modification  
26 applies. Regulations of the committee are considered to be part of  
27 the plan document for the system. A regulation adopted by the  
28 committee may be modified by regulation in order to comply with  
29 the requirements of this section.

30 c. No member of the board, committee, employee of the board,  
31 or employee of the Division of Pensions and Benefits in the  
32 Department of the Treasury shall accept from any person, whether  
33 directly or indirectly and whether by himself or through his spouse  
34 or any member of his family, or through any partner or associate,  
35 any gift, favor, service, employment or offer of employment, or any  
36 other thing of value, including contributions to the campaign of a  
37 member or employee as a candidate for elective public office, which  
38 he knows or has reason to believe is offered to him with intent to  
39 influence him in the performance of his public duties and  
40 responsibilities. As used in this paragraph, "person" means an (1)  
41 individual or business entity, or officer or employee of such an  
42 entity, who is seeking, or who holds, or who held within the prior  
43 three years, a contract with the board; (2) an active or retired  
44 member, or beneficiary, of the retirement system; or (3) an entity,  
45 or officer or employee of such an entity, in which the assets of the  
46 retirement system have been invested. A board or committee

Chapter 78, P.L. 2011

1 member or employee violating this prohibition shall be guilty of a  
2 crime of the third degree.

3 (cf: P.L.1999, c.230, s.1)

4

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

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

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

21 c. For purposes of this act, each member of the State House  
22 Commission shall be entitled to one vote and a majority vote of all  
23 members shall be necessary for any decision by the commission at  
24 any meeting of said commission.

25 d. Subject to the limitations of this act, the State House  
26 Commission shall annually establish rules and regulations for the  
27 administration of the funds created by this act and for the  
28 transaction of its business. Such rules and regulations shall be  
29 consistent with those adopted by the other pension funds within the  
30 Division of Pensions and Benefits in order to permit the most  
31 economical and uniform administration of all such retirement  
32 systems.

33 e. The actuary of the system shall be selected by the  
34 Retirement Systems Actuary Selection Committee established by  
35 P.L.1992, c.125. He shall be the technical adviser of the  
36 commission on matters regarding the operation of the funds created  
37 by the provisions of this act and shall perform such other duties as  
38 are required in connection herewith.

39 f. The Attorney General shall be the legal adviser of the  
40 retirement system, except that if the Attorney General determines  
41 that a conflict of interest would affect the ability of the Attorney  
42 General to represent the commission on a matter affecting the  
43 retirement system, the commission may select and employ legal  
44 counsel to advise and represent the commission on that matter.

45 g. The Director of the Division of Pensions and Benefits of the  
46 State Department of the Treasury shall be the secretary of the  
47 commission for purposes pertaining to the provisions of this act.

## Chapter 78, P.L. 2011

1 h. For purposes of this act, the State House Commission shall  
2 keep a record of all of its proceedings which shall be open to public  
3 inspection. The retirement system shall publish annually a report  
4 showing the fiscal transactions of the retirement system for the  
5 preceding year, the amount of the accumulated cash and securities  
6 of the system and the last balance sheet showing the financial  
7 condition of the system by means of any actuarial valuation of the  
8 assets and liabilities of the retirement system.

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

16 j. When the retirement system has attained the target funded  
17 ratio as defined in section 27 of P.L. , c. (C. ) (pending  
18 before the Legislature as this bill), the commission shall have the  
19 discretionary authority for the system to (1) modify the: member  
20 contribution rate; formula for calculation of final salary; age at  
21 which a member may be eligible for and the benefits for service or  
22 early retirement; and benefits provided for disability retirement; and  
23 (2) activate the application of the "Pension Adjustment Act,"  
24 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that  
25 the system is at or above the target funded ratio and modify the  
26 basis for the calculation of the adjustment and set the duration and  
27 extent of the activation. The commission shall give priority  
28 consideration to subparagraph (2) of this paragraph. The  
29 commission shall not have the authority to change the years of  
30 creditable service required for vesting.

31 The commission may consider a matter described above and  
32 render a decision notwithstanding that the provisions of the  
33 statutory law may set forth a specific requirement on that matter.

34 The commission may consider a matter described above and  
35 render a decision notwithstanding that the provisions of the  
36 statutory law do not set forth a specific requirement on the  
37 considered aspect of that matter or address that matter at all.

38 No decision of the commission shall be implemented if the direct  
39 or indirect result of the decision will be that the system's funded  
40 ratio falls below the target funded ratio in any valuation period  
41 during the 30 years following the implementation of the decision.  
42 The actuary of the system shall make a determination of the result  
43 in that regard and submit that determination in a written report to  
44 the commission prior to the implementation of the decision.

45 If any matter before the commission receives a majority vote, the  
46 commission shall implement the decision.

47 A final action of the commission shall be made by the adoption  
48 of a regulation that shall identify the modifications to the system by

Chapter 78, P.L. 2011

1 reference to statutory section. The regulations shall also specify the  
2 effective date of the modification and the system members,  
3 including beneficiaries and retirees, to whom the modification  
4 applies. Regulations of the commission are considered to be part of  
5 the plan document for the system. A regulation adopted by the  
6 commission may be modified by regulation in order to comply with  
7 the requirements of this section.

8 k. No member of the commission, employee of the  
9 commission, or employee of the Division of Pensions and Benefits  
10 in the Department of the Treasury shall accept from any person,  
11 whether directly or indirectly and whether by himself or through his  
12 spouse or any member of his family, or through any partner or  
13 associate, any gift, favor, service, employment or offer of  
14 employment, or any other thing of value, including contributions to  
15 the campaign of a member or employee as a candidate for elective  
16 public office, which he knows or has reason to believe is offered to  
17 him with intent to influence him in the performance of his public  
18 duties and responsibilities. As used in this subsection, "person"  
19 means an (1) individual or business entity, or officer or employee of  
20 such an entity, who is seeking, or who holds, or who held within the  
21 prior three years, a contract with the commission; or (2) an active or  
22 retired member, or beneficiary, of the retirement system. A  
23 member or employee violating this prohibition shall be guilty of a  
24 crime of the third degree.

25 (cf: P.L.1992, c.125, s.5)

26  
27 3. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to  
28 read as follows:

29 17. a. (1) Subject to the provisions of P.L.1955, c.70 the general  
30 responsibility for the proper operation of the Public Employees'  
31 Retirement System shall be vested in the board of trustees, and, as  
32 specified, the committees established pursuant to subsection b. of  
33 this section. Subject to the limitations of the law, the board shall  
34 annually establish rules and regulations for the administration and  
35 transaction of [its] the board's and committees' business and for the  
36 control of the funds created by this subtitle. Such rules and  
37 regulations shall be consistent with those adopted by the other  
38 pension funds within the Division of Pensions and Benefits in order  
39 to permit the most economical and uniform administration of all  
40 such retirement systems. The committees shall adopt such  
41 regulations as provided in subsection b. of this section.

42 (2) The membership of the board shall consist of the following:

43 a. Two trustees appointed by the Governor, with the advice and  
44 consent of the Senate, who shall serve for a term of office of three  
45 years and until their successors are appointed, who shall be private  
46 citizens of the State of New Jersey and who are neither an officer  
47 thereof nor active or retired members of the system. Of the two  
48 trustees initially appointed by the Governor pursuant to P.L.1992,

Chapter 78, P.L. 2011

1 c.41 (C.43:6A-33.1 et al.), one shall be appointed for a term of two  
2 years and one for a term of three years.

3 b. The State Treasurer or the Deputy State Treasurer, when  
4 designated for that purpose by the State Treasurer.

5 c. Three trustees elected for a term of three years by the  
6 member employees of the State from among the active or retired  
7 State members of the retirement system in a manner prescribed by  
8 the board of trustees.

9 d. One trustee elected for a term of three years by the member  
10 employees of counties from among the active or retired county  
11 members of the retirement system and the same method of holding  
12 an election from time to time used for the State employees'  
13 representatives shall be followed in elections held for county  
14 representatives.

15 e. Two trustees elected for a term of three years by the member  
16 employees of municipalities from among the active or retired  
17 municipal members of the retirement system and the same method  
18 of holding an election from time to time used for the State  
19 employees' representatives shall be followed in elections held for  
20 municipal representatives.

21 (3) A vacancy occurring in the board of trustees shall be filled  
22 by the appointment or election of a successor in the same manner as  
23 his predecessor.

24 Each member of the board shall, upon appointment or election,  
25 take an oath of office that, so far as it devolves upon him, he will  
26 diligently and honestly administer the board's affairs, and that he  
27 will not knowingly violate or willfully permit to be violated any  
28 provision of law applicable to this act. The oath shall be subscribed  
29 to by the member making it, certified by the officer before whom it  
30 is taken and filed immediately in the office of the Secretary of  
31 State.

32 Each trustee shall be entitled to one vote in the board and a  
33 majority of all the votes of the entire board shall be necessary for a  
34 decision by the board of trustees at a meeting of the board. The  
35 board shall keep a record of all its proceedings, which shall be open  
36 to public inspection.

37 The members of the board shall serve without compensation but  
38 shall be reimbursed for any necessary expenditures. No employee  
39 shall suffer loss of salary or wages through the serving on the  
40 board.

41 (4) The State Treasurer shall designate a medical board after  
42 consultation with the Director of the Division of Pensions and  
43 Benefits, subject to veto by the board of trustees for valid reason. It  
44 shall be composed of three physicians who are not eligible to  
45 participate in the retirement system. The medical board shall pass  
46 upon all medical examinations required under the provisions of this  
47 act, shall investigate all essential statements and certificates by or  
48 on behalf of a member in connection with an application for

## Chapter 78, P.L. 2011

10

1 disability retirement, and shall report in writing to the retirement  
2 system its conclusions and recommendations upon all matters  
3 referred to it.

4 b. There are established two committees, to be composed of  
5 eight members each as follows, one for the State employees part of  
6 the retirement system and one for the part of the retirement system  
7 with employees of employers other than the State.

8 Each committee shall have four members who shall be appointed  
9 by the Governor as representatives of public employers whose  
10 employees are enrolled in the retirement system, and four members  
11 who shall be appointed by the Public Employee Committee of the  
12 AFL-CIO with the four appointments to be allocated among the  
13 unions representing members of the retirement system having union  
14 membership in a manner that results in the unions representing a  
15 greater number of members receiving more appointments than the  
16 unions representing fewer members. The members of the  
17 committees shall not be appointed until that part of the system  
18 attains the target funded ratio.

19 The members of each committees shall serve for a term of three  
20 years and until a successor is appointed and qualified. For each  
21 committee, of the initial appointments by the Governor, two  
22 members shall serve for two years and until a successor is appointed  
23 and qualified, and one shall serve for one year and until a successor  
24 is appointed and qualified. For each committee, of the initial  
25 appointments by the Public Employee Committee of the AFL-CIO,  
26 one member shall serve for two years and until a successor is  
27 appointed and qualified, and one shall serve for one year and until a  
28 successor is appointed and qualified.

29 For each committee, the members of the committee shall select a  
30 chairperson from among the members, who shall serve for a term of  
31 one year, with no member serving more than one term until all the  
32 members of that committee have served a term in a manner  
33 alternating among the employer representatives and employee  
34 representatives, unless the committee determines otherwise with  
35 regard to this process.

36 The provisions of paragraph (3) of subsection a. of this section,  
37 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each  
38 committee and its members, as appropriate.

39 Upon the convening of any meeting of a committee, the members  
40 shall consider a motion to assume the authority provided in this  
41 subsection and shall proceed only if a majority of the members of  
42 the committee vote in the affirmative on that motion.

43 Each committee may contract with such actuaries or consultants,  
44 or both, in accordance with the provisions of P.L.1954, c.48  
45 (C.52:34-6 et seq.), as the committee may deem necessary to  
46 perform its duties, when that part of the system has met the target  
47 funded ratio.

## Chapter 78, P.L. 2011

11

1     When a part of the system has attained the target funded ratio as  
2 defined in section 27 of P.L. , c. (C. ) (pending before the  
3 Legislature as this bill), the committee for that part shall have the  
4 discretionary authority for that part to (1) modify the: member  
5 contribution rate; formula for calculation of final compensation; the  
6 fraction of compensation applied to service credited after the  
7 modification; age at which a member may be eligible for and the  
8 benefits for service or early retirement; and benefits provided for  
9 disability retirement; and (2) activate the application of the  
10 “Pension Adjustment Act,” P.L.1958, c.143 (C.43:3B-1 et seq.) for  
11 retirees for the period that the part is at or above the target funded  
12 ratio and modify the basis for the calculation of the adjustment and  
13 set the duration and extent of the activation. A committee shall give  
14 priority consideration to subparagraph (2) of this paragraph. A  
15 committee shall not have the authority to change the years of  
16 creditable service required for vesting.

17     Each committee may consider a matter described above and  
18 render a decision notwithstanding that the provisions of the  
19 statutory law may set forth a specific requirement on that matter.

20     Each committee may consider a matter described above and  
21 render a decision notwithstanding that the provisions of the  
22 statutory law do not set forth a specific requirement on the  
23 considered aspect of that matter or address that matter at all.

24     The members of each committee shall have the same duty and  
25 responsibility to the retirement system as do the members of the  
26 board of trustees. No decision of a committee shall be implemented  
27 if the direct or indirect result of the decision will be that the funded  
28 ratio of that part falls below the target funded ratio in any valuation  
29 period during the 30 years following the implementation of the  
30 decision. The actuary of the fund shall make a determination of the  
31 result in that regard and submit that determination in a written  
32 report to the committee and the board prior to the implementation of  
33 the decision.

34     If any matter before a committee receives at least five votes in  
35 the affirmative, the board of trustees shall approve and implement  
36 the committee’s decision.

37     If any matter regarding benefits before a committee receives four  
38 votes in the affirmative and four votes in the negative or a  
39 committee otherwise reaches an impasse on a decision, the  
40 provisions of section 33 of P.L. , c. (C. ) (pending before the  
41 Legislature as this bill) shall be followed.

42     A final action of the committee shall be made by the adoption of  
43 a regulation that shall identify the modifications to the system by  
44 reference to statutory section. The regulations shall also specify the  
45 effective date of the modification and the system members,  
46 including beneficiaries and retirees, to whom the modification  
47 applies. Regulations of the committee are considered to be part of  
48 the plan document for the system. A regulation adopted by the

Chapter 78, P.L. 2011

1 committee may be modified by regulation in order to comply with  
2 the requirements of this section.

3 c. No member of the board, committee, employee of the board,  
4 or employee of the Division of Pensions and Benefits in the  
5 Department of the Treasury shall accept from any person, whether  
6 directly or indirectly and whether by himself or through his spouse  
7 or any member of his family, or through any partner or associate,  
8 any gift, favor, service, employment or offer of employment, or any  
9 other thing of value, including contributions to the campaign of a  
10 member or employee as a candidate for elective public office,  
11 which he knows or has reason to believe is offered to him with  
12 intent to influence him in the performance of his public duties and  
13 responsibilities. As used in this subsection, "person" means an (1)  
14 individual or business entity, or officer or employee of such an  
15 entity, who is seeking, or who holds, or who held within the prior  
16 three years, a contract with the board; (2) an active or retired  
17 member, or beneficiary, of the retirement system; or (3) an entity,  
18 or officer or employee of such an entity, in which the assets of the  
19 retirement system have been invested. A board or committee  
20 member or employee violating this prohibition shall be guilty of a  
21 crime of the third degree.

22 (cf: P.L.1992, c.41, s.13)

23

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

26 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-  
27 95 et seq.), the general responsibility for the proper operation of the  
28 retirement system is hereby vested in a board of trustees, and, as  
29 specified, the committees established pursuant to subsection b. of  
30 this section.

31 (2) The board shall consist of 11 trustees as follows:

32 (a) Five members to be appointed by the Governor, with the  
33 advice and consent of the Senate, who shall serve for a term of  
34 office of four years and until their successors are appointed and  
35 who shall be private citizens of the State of New Jersey who are  
36 neither an officer thereof nor an active or retired member of any  
37 police or fire department thereof. Of the four members initially  
38 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1  
39 et al.), one shall be appointed for a term of one year, one for a term  
40 of two years, one for a term of three years, and one for a term of  
41 four years. The member appointed by the Governor pursuant to the  
42 provisions of this amendatory act, P.L.1995, c.238, shall for a term  
43 of four years and until a successor is appointed.

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

46 (c) Two policemen and two firemen who shall be active  
47 members of the system and who shall be elected by the active  
48 members of the system for a term of four years according to such

## Chapter 78, P.L. 2011

1 rules and regulations as the board of trustees shall adopt to govern  
2 such election.

3 (d) One retiree from the system who shall be elected by retirees  
4 from the system for a term of four years according to such rules and  
5 regulations as the board of trustees shall adopt to govern the  
6 election.

7 (3) Each trustee shall, after his appointment or election, take an  
8 oath of office that, so far as it devolves upon him he will diligently  
9 and honestly fulfill his duties as a board member, and that he will  
10 not knowingly violate or willingly permit to be violated any of the  
11 provisions of the law applicable to the retirement system. Such oath  
12 shall be subscribed by the member making it, and certified by the  
13 officer before whom it is taken, and immediately filed in the office  
14 of the Secretary of State.

15 (4) If a vacancy occurs in the office of a trustee, the vacancy  
16 shall be filled in the same manner as the office was previously  
17 filled.

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

21 (6) Each trustee shall be entitled to one vote in the board. Six  
22 trustees must be present at any meeting of said board for the  
23 transaction of its business.

24 (7) Subject to the limitations of this act, the board of trustees  
25 shall annually establish rules and regulations for the administration  
26 of the funds created by this act and for the transaction of [its] the  
27 board's and committees' business. Such rules and regulations shall  
28 be consistent with those adopted by the other pension funds within  
29 the Division of Pensions and Benefits in order to permit the most  
30 economical and uniform administration of all such retirement  
31 systems. The committees shall adopt such regulations as provided  
32 in subsection b. of this section.

33 (8) The board of trustees shall elect from its membership a  
34 chairman. The Director of the Division of Pensions and Benefits  
35 shall appoint a qualified employee of the division to be secretary of  
36 the board. The administration of the program shall be performed by  
37 the personnel of the Division of Pensions and Benefits.

38 (9) The board of trustees shall keep a record of all of its  
39 proceedings which shall be open to public inspection. The  
40 retirement system shall publish annually a report showing the fiscal  
41 transactions of the retirement system for the preceding year, the  
42 amount of the accumulated cash and securities of the system, and  
43 the last balance sheet showing the financial condition of the system  
44 by means of an actuarial valuation of the assets and liabilities of the  
45 retirement system.

46 (10) The Attorney General of the State of New Jersey shall be  
47 the legal adviser of the retirement system, except that if the  
48 Attorney General determines that a conflict of interest would affect

## Chapter 78, P.L. 2011

14

1 the ability of the Attorney General to represent the board or the  
2 committees on a matter affecting the retirement system, the board  
3 may select and employ legal counsel to advise and represent the  
4 board or the committees on that matter.

5 (11) The State Treasurer shall designate a medical board after  
6 consultation with the Director of the Division of Pensions and  
7 Benefits, subject to veto by the board of trustees for valid reason. It  
8 shall be composed of three physicians who are not eligible to  
9 participate in the retirement system. The medical board shall pass  
10 upon all medical examinations required under the provisions of this  
11 act, shall investigate all essential statements and certificates by or  
12 on behalf of a member in connection with an application for  
13 disability retirement, and shall report in writing to the retirement  
14 system its conclusions and recommendations upon all matters  
15 referred to it.

16 (12) The actuary of the system shall be selected by the  
17 Retirement Systems Actuary Selection Committee established by  
18 P.L.1992, c.125. He shall be the technical adviser of the board of  
19 trustees and the committees on matters regarding the operation of  
20 the funds created by the provisions of this act, and shall perform  
21 such other duties as are required in connection therewith.

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

29 (14) (Deleted by amendment, P.L.1970, c.57.)

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

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

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

41 b. There are established two committees, to be composed of 10  
42 members each as follows, one for the State employees part of the  
43 retirement system and one for the part of the retirement system with  
44 employees of employers other than the State.

45 Each committee shall have five members who shall be appointed  
46 by the Governor as representatives of public employers whose  
47 employees are enrolled in the retirement system, two members who  
48 shall be appointed by the head of the union representing the greatest

## Chapter 78, P.L. 2011

15

1 number of police officer members of the retirement system having  
2 union membership, one member who shall be appointed by the head  
3 of the union representing the second greatest number of police  
4 officer members of the retirement system having union  
5 membership, one member who shall be appointed by the head of the  
6 union representing the greatest number of firefighter members of  
7 the retirement system having union membership, and one member  
8 who shall be appointed by the head of the union representing the  
9 second greatest number of firefighter members of the retirement  
10 system having union membership. The members of the committees  
11 shall not be appointed until that part of the system attains the target  
12 funded ratio.

13 The members of each committee shall serve for a term of three  
14 years and until a successor is appointed and qualified. For each  
15 committee, of the initial appointments by the Governor, two  
16 members shall serve for two years and until a successor is appointed  
17 and qualified, and two shall serve for one year and until a successor  
18 is appointed and qualified. For each committee, of the initial  
19 appointments by the head of the union representing the greatest  
20 number of police officer members of the retirement system, the  
21 members shall serve for two years and until a successor is appointed  
22 and qualified. For each committee, of the initial appointment by the  
23 head the union representing the greatest number of firefighter  
24 members of the retirement system, the member shall serve for one  
25 year and until a successor is appointed and qualified.

26 For each committee, the members of the committee shall select a  
27 chairperson from among the members, who shall serve for a term of  
28 one year, with no member serving more than one term until all the  
29 members of the committee have served a term in an manner  
30 alternating among the employer representatives and employee  
31 representatives, unless the committee determines otherwise with  
32 regard to this process.

33 The provisions of paragraphs (3) through (6), inclusive, and (17)  
34 of subsection a. of this section, and subsection (4) of section 14 of  
35 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its  
36 members, as appropriate. The committee shall keep a record of all  
37 of its proceedings which shall be open to public inspection.

38 Upon the convening of any meeting of a committee, the members  
39 shall consider a motion to assume the authority provided in this  
40 subsection and shall proceed only if a majority of the members of  
41 the committee vote in the affirmative on that motion.

42 Each committee may contract with such actuaries or consultants,  
43 or both, in accordance with the provisions of P.L.1954, c.48  
44 (C.52:34-6 et seq.), as the committee may deem necessary to  
45 perform its duties, when that part of the system has attained the  
46 target funded ratio.

47 When a part of the system, has attained the target funded ratio as  
48 defined in section 27 of P.L. , c. (C. ) (pending before the

## Chapter 78, P.L. 2011

16

1 Legislature as this bill), the committee for that part shall have the  
2 discretionary authority for that part to (1) modify the: member  
3 contribution rate; formula for calculation of final compensation; age  
4 at which a member may be eligible for and the benefits for service  
5 or special retirement; and benefits provided for disability  
6 retirement; and (2) activate the application of the "Pension  
7 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees  
8 for the period that the part is at or above the target funded ratio and  
9 modify the basis for the calculation of the adjustment and set the  
10 duration and extent of the activation. A committee shall give  
11 priority consideration to subparagraph (2) of this paragraph. A  
12 committee shall not have the authority to change the years of  
13 creditable service required for vesting.

14 Each committee may consider a matter described above and  
15 render a decision notwithstanding that the provisions of the  
16 statutory law may set forth a specific requirement on that matter.

17 Each committee may consider a matter described above and  
18 render a decision notwithstanding that the provisions of the  
19 statutory law do not set forth a specific requirement on the  
20 considered aspect of that matter or address that matter at all.

21 The members of each committee shall have the same duty and  
22 responsibility to the retirement system as do the members of the  
23 board of trustees. No decision of a committee shall be implemented  
24 if the direct or indirect result of the decision will be that the funded  
25 ratio of that part falls below the target funded ratio in any valuation  
26 period during the 30 years following the implementation of the  
27 decision. The actuary of the system shall make a determination of  
28 the result in that regard and submit that determination in a written  
29 report to the committee and the board prior to the implementation of  
30 the decision.

31 If any matter before a committee receives at least six votes in the  
32 affirmative, the board of trustees shall approve and implement the  
33 committee's decision.

34 If any matter regarding benefits before a committee receives five  
35 votes in the affirmative and five votes in the negative or the  
36 committee otherwise reaches an impasse on a decision, the  
37 provisions of section 33 of P.L. , c. (C. ) (pending before the  
38 Legislature as this bill) shall be followed.

39 A final action of the committee shall be made by the adoption of  
40 a regulation that shall identify the modifications to the system by  
41 reference to statutory section. The regulations shall also specify the  
42 effective date of the modification and the system members,  
43 including beneficiaries and retirees, to whom the modification  
44 applies. Regulations of the committee are considered to be part of  
45 the plan document for the system. A regulation adopted by the  
46 committee may be modified by regulation in order to comply with  
47 the requirements of this section.

Chapter 78, P.L. 2011

1       c. No member of the board, committee, employee of the board,  
2 or employee of the Division of Pensions and Benefits in the  
3 Department of the Treasury shall accept from any person, whether  
4 directly or indirectly and whether by himself or through his spouse  
5 or any member of his family, or through any partner or associate,  
6 any gift, favor, service, employment or offer of employment, or any  
7 other thing of value, including contributions to the campaign of a  
8 member or employee as a candidate for elective public office,  
9 which he knows or has reason to believe is offered to him with  
10 intent to influence him in the performance of his public duties and  
11 responsibilities. As used in this subsection, "person" means an (1)  
12 individual or business entity, or officer or employee of such an  
13 entity, who is seeking, or who holds, or who held within the prior  
14 three years, a contract with the board; (2) an active or retired  
15 member, or beneficiary, of the retirement system; or (3) an entity,  
16 or officer or employee of such an entity, in which the assets of the  
17 retirement system have been invested. A board or committee  
18 member or employee violating this prohibition shall be guilty of a  
19 crime of the third degree.

20 (cf: P.L.1995, c.238, s.1)

21

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

24       30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95  
25 et seq.), the general responsibility for the proper operation of the  
26 retirement system is hereby vested in the board of trustees, and, as  
27 specified, the committee established pursuant to subsection o. of  
28 this section.

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

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

35       (2) Two members to be appointed by the Governor, with the  
36 advice and consent of the Senate, who shall serve for a term of  
37 office of three years and until their successors are appointed and  
38 who shall be private citizens of the State of New Jersey who are  
39 neither an officer thereof nor active or retired members of the  
40 system. Of the two members initially appointed by the Governor  
41 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be  
42 appointed for a term of two years and one for a term of three years.

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

Chapter 78, P.L. 2011

18

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

9 d. If a vacancy occurs in the office of a trustee, the vacancy  
10 shall be filled in the same manner as the office was previously  
11 filled.

12 e. The trustees shall serve without compensation, but they shall  
13 be reimbursed by the State for all necessary expenses that they may  
14 incur through service on the board. No employee member shall  
15 suffer loss of salary through the serving on the board.

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

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

29 h. Subject to the limitations of this act, the board of trustees  
30 shall annually establish rules and regulations for the administration  
31 of the funds created by this act and for the transactions of [its] the  
32 board's and committee's business. Such rules and regulations shall  
33 be consistent with those adopted by the other pension funds within  
34 the Division of Pensions and Benefits in order to permit the most  
35 economical and uniform administration of all such retirement  
36 systems. The committee shall adopt such regulations as provided in  
37 subsection o. of this section.

38 i. The actuary of the fund shall be selected by the Retirement  
39 Systems Actuary Selection Committee established by P.L.1992,  
40 c.125. He shall be the technical adviser of the board and the  
41 committee on matters regarding the operation of the funds created  
42 by the provisions of this act and shall perform such other duties as  
43 are required in connection herewith.

44 j. The Attorney General shall be the legal adviser of the  
45 retirement system, except that if the Attorney General determines  
46 that a conflict of interest would affect the ability of the Attorney  
47 General to represent the board or the committee on a matter  
48 affecting the retirement system, the board may select and employ

Chapter 78, P.L. 2011

1 legal counsel to advise and represent the board or the committee on  
2 that matter.

3 k. The ~~Chief of the Bureau of Police and Fire Funds of the~~  
4 Director of the Division of Pensions and Benefits of the State  
5 Department of the Treasury shall appoint a qualified member of the  
6 division who shall be the secretary of the board.

7 l. The board of trustees shall keep a record of all of its  
8 proceedings which shall be open to public inspection. The  
9 retirement system shall publish annually a report showing the fiscal  
10 transactions of the retirement system for the preceding year, the  
11 amount of the accumulated cash and securities of the system and the  
12 last balance sheet showing the financial condition of the system by  
13 means of an actuarial valuation of the assets and liabilities of the  
14 retirement system.

15 m. The State Treasurer shall designate a medical board after  
16 consultation with the Director of the Division of Pensions and  
17 Benefits, subject to veto by the board of trustees for valid reason. It  
18 shall be composed of three physicians. The medical board shall  
19 pass on all medical examinations required under the provisions of  
20 this act, and shall report in writing to the retirement system its  
21 conclusions and recommendations upon all matters referred to it.

22 n. (Deleted by amendment, P.L.1987, c.330).

23 o. There is established a committee to be composed of eight  
24 members, four of whom shall be appointed by the Governor as  
25 representatives of the public employer whose employees are  
26 enrolled in the retirement system, three of whom shall be appointed  
27 by the head of the State Troopers Fraternal Association, and one of  
28 whom shall be appointed by the head of the union representing the  
29 greatest number of members of the retirement system who are  
30 supervisory officers having union membership. The members of  
31 the committee shall not be appointed until the system attains the  
32 target funded ratio.

33 The members of the committee shall serve for a term of three  
34 years and until a successor is appointed and qualified. Of the initial  
35 appointments by the Governor, two members shall serve for two  
36 years and until a successor is appointed and qualified, and one shall  
37 serve for one year and until a successor is appointed and qualified.  
38 Of the initial appointments by the State Troopers Fraternal  
39 Association, one member shall serve for two years and until a  
40 successor is appointed and qualified, and one shall serve for one  
41 year and until a successor is appointed and qualified.

42 The members of the committee shall select a chairperson from  
43 among the members, who shall serve for a term of one year, with no  
44 member serving more than one term until all the members of the  
45 committee have served a term in an manner alternating among the  
46 employer representatives and employee representatives, unless the  
47 committee determines otherwise with regard to this process.

## Chapter 78, P.L. 2011

20

1 The provisions of subsections c. through g., inclusive, of this  
2 section shall apply to the committee and its members, as  
3 appropriate. The committee shall keep a record of all of its  
4 proceedings which shall be open to public inspection.

5 Upon the convening of any meeting of the committee, the  
6 members shall consider a motion to assume the authority provided  
7 in this subsection and shall proceed only if a majority of the  
8 members of the committee vote in the affirmative on that motion.

9 The committee may contract with such actuaries or consultants,  
10 or both, in accordance with the provisions of P.L.1954, c.48  
11 (C.52:34-6 et seq.), as the committee may deem necessary to  
12 perform its duties, when the system has attained the target funded  
13 ratio.

14 When the retirement system has attained the target funded ratio  
15 as defined in section 27 of P.L. , c. (C. ) (pending before the  
16 Legislature as this bill), the committee shall have the discretionary  
17 authority for the system to (1) modify the: member contribution  
18 rate; formula for calculation of final compensation or final salary;  
19 age at which a member may be eligible for and the benefits for  
20 service or special retirement; and benefits provided for disability  
21 retirement; and (2) activate the application of the "Pension  
22 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees  
23 for the period that the system is at or above the target funded ratio  
24 and modify the basis for the calculation of the adjustment and set  
25 the duration and extent of the activation. The committee shall give  
26 priority consideration to subparagraph (2) of this paragraph. The  
27 committee shall not have the authority to change the years of  
28 creditable service required for vesting.

29 The committee may consider a matter described above and  
30 render a decision notwithstanding that the provisions of the  
31 statutory law may set forth a specific requirement on that matter.

32 The committee may consider a matter described above and  
33 render a decision notwithstanding that the provisions of the  
34 statutory law do not set forth a specific requirement on the  
35 considered aspect of that matter or address that matter at all.

36 The members of the committee shall have the same duty and  
37 responsibility to the retirement system as do the members of the  
38 board of trustees. No decision of the committee shall be  
39 implemented if the direct or indirect result of the decision will be  
40 that the system's funded ratio falls below the target funded ratio in  
41 any valuation period during the 30 years following the  
42 implementation of the decision. The actuary of the fund shall make  
43 a determination of the result in that regard and submit that  
44 determination in a written report to the committee and the board  
45 prior to the implementation of the decision.

46 If any matter before the committee receives at least five votes in  
47 the affirmative, the board of trustees shall approve and implement  
48 the committee's decision.

Chapter 78, P.L. 2011

1 If any matter regarding benefits before the committee receives  
2 four votes in the affirmative and four votes in the negative or the  
3 committee otherwise reaches an impasse on a decision, the  
4 provisions of section 33 of P.L. , c. (C. ) (pending before the  
5 Legislature as this bill) shall be followed.

6 A final action of the committee shall be made by the adoption of  
7 a regulation that shall identify the modifications to the system by  
8 reference to statutory section. The regulations shall also specify the  
9 effective date of the modification and the system members,  
10 including beneficiaries and retirees, to whom the modification  
11 applies. Regulations of the committee are considered to be part of  
12 the plan document for the system. A regulation adopted by the  
13 committee may be modified by regulation in order to comply with  
14 the requirements of this section.

15 p. No member of the board, committee, employee of the board,  
16 or employee of the Division of Pensions and Benefits in the  
17 Department of the Treasury shall accept from any person, whether  
18 directly or indirectly and whether by himself or through his spouse  
19 or any member of his family, or through any partner or associate,  
20 any gift, favor, service, employment or offer of employment, or any  
21 other thing of value, including contributions to the campaign of a  
22 member or employee as a candidate for elective public office,  
23 which he knows or has reason to believe is offered to him with  
24 intent to influence him in the performance of his public duties and  
25 responsibilities. As used in this subsection, "person" means an (1)  
26 individual or business entity, or officer or employee of such an  
27 entity, who is seeking, or who holds, or who held within the prior  
28 three years, a contract with the board; (2) an active or retired  
29 member, or beneficiary, of the retirement system; or (3) an entity,  
30 or officer or employee of such an entity, in which the assets of the  
31 retirement system have been invested. A board or committee  
32 member or employee violating this prohibition shall be guilty of a  
33 crime of the third degree.

34 (cf: P.L.1992, c.125, s.17)

35

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

37 18A:66-57. The board shall elect annually from its membership  
38 a chairman and may also elect a vice chairman, who shall have all  
39 the power and authority of the chairman in the event of the death,  
40 absence or disability of the chairman. The actuary of the fund shall  
41 be selected by the Retirement Systems Actuary Selection  
42 Committee established by P.L.1992, c.125.

43 The actuary shall be the technical adviser of the board and the  
44 committee on matters regarding the operation of the funds created  
45 by the provisions of this article and shall perform such other duties  
46 as are required in connection therewith.

47 The Attorney General shall be the legal adviser of the retirement  
48 system, except that if the Attorney General determines that a

## Chapter 78, P.L. 2011

22

1 conflict of interest would affect the ability of the Attorney General  
2 to represent the board or the committee on a matter affecting the  
3 retirement system, the board may select and employ legal counsel to  
4 advise and represent the board or the committee on that matter.

5 The chief or assistant chief of the office of secretarial services of  
6 the Division of Pensions and Benefits of the State Department of  
7 the Treasury, shall be the secretary of the board. The chief and  
8 assistant chief of the office of secretarial services shall be in the  
9 competitive division of the State classified service. The secretary  
10 presently in office shall hold the position as chief of the office of  
11 secretarial services subject to all of the provisions of Title 11 of the  
12 Revised Statutes and shall not be removed from said office except  
13 in the manner provided under the provisions of said title relating to  
14 permanent employees in the competitive division of the State  
15 classified service. The board of trustees shall select its secretary  
16 from among the eligible candidates.

17 (cf: P.L.1992, c.125, s.3)

18

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

21 18. The board shall elect annually from its membership a  
22 chairman and may also elect a vice-chairman, who shall have all the  
23 power and authority of the chairman in the event of the death,  
24 absence or disability of the chairman.

25 The actuary of the fund shall be selected by the Retirement  
26 Systems Actuary Selection Committee established by P.L.1992,  
27 c.125.

28 The actuary shall be the technical adviser of the board and the  
29 committees on matters regarding the operation of the funds created  
30 by the provisions of this act and shall perform such other duties as  
31 are required in connection therewith.

32 The Attorney General shall be the legal adviser of the retirement  
33 system, except that if the Attorney General determines that a  
34 conflict of interest would affect the ability of the Attorney General  
35 to represent the board or the committees on a matter affecting the  
36 retirement system, the board may select and employ legal counsel to  
37 advise and represent the board or the committees on that matter.

38 The chief or assistant chief of the office of secretarial services of  
39 the Division of Pensions and Benefits of the State Department of  
40 the Treasury shall be the secretary of the board. The chief and  
41 assistant chief of the office of secretarial services shall be in the  
42 competitive division of the State classified service. The secretary  
43 presently in office shall hold the position as assistant chief of the  
44 office of secretarial services subject to all of the provisions of Title  
45 11 of the Revised Statutes and shall not be removed from said  
46 office except in the manner provided under the provisions of said  
47 Title relating to permanent employees in the competitive division of

Chapter 78, P.L. 2011

1 the State classified service. The board of trustees shall select its  
2 secretary from among the eligible candidates.

3 (cf: P.L.1992, c.125, s.8)

4

5 8. N.J.S.18A:66-29 is amended to read as follows:

6 18A:66-29. Members enrolled in the retirement system on or  
7 after July 1, 1994 shall contribute 5% of compensation to the  
8 system. Members enrolled in the system prior to July 1, 1994 shall  
9 contribute 5% of compensation to the system effective with the  
10 payroll period for which the beginning date is closest to July 1,  
11 1995, provided, however, that any member enrolled before July 1,  
12 1994, whose full contribution rate under the system prior to the  
13 revisions by this act was less than 6%, shall pay 4% of  
14 compensation to the system effective with the payroll period for  
15 which the beginning date is closest to July 1, 1995, and 5% of  
16 compensation to the system effective with the payroll period for  
17 which the beginning date is closest to July 1, 1996.

18 Members enrolled in the retirement system on or after July 1,  
19 2007 shall contribute 5.5% of compensation to the system.  
20 Members enrolled in the system prior to July 1, 2007 shall  
21 contribute 5.5% of compensation to the system effective with the  
22 payroll period for which the beginning date is closest to July 1,  
23 2007.

24 Members of the retirement system shall contribute 6.5% of  
25 compensation to the system on and after the effective date of P.L. ,  
26 c. (pending before the Legislature as this bill), with an additional  
27 contribution of 1% to be phased-in in equal increments over a  
28 period of seven years commencing with the first year following that  
29 effective date.

30 (cf: P.L.2007, c.103, s.1)

31

32 9. Section 26 of P.L.1981, c.470 (C.43:6A-34.1) is amended to  
33 read as follows:

34 26. a. The annuity savings fund shall be the fund to which shall  
35 be credited aggregate contributions made by members or on their  
36 behalf to provide for their allowances. The aggregate contributions  
37 of a member withdrawn by him or paid to his estate or his  
38 designated beneficiary in the event of death as provided by this  
39 amendatory and supplementary act shall be paid from the annuity  
40 savings fund. Upon the retirement of a member where the aggregate  
41 contributions of the member are to be provided in the form of an  
42 annuity, the aggregate contributions of the member shall be  
43 transferred from the annuity savings fund to the retirement reserve  
44 fund.

45 b. There shall be deducted from the payroll of each member of  
46 the system 3% of the amount of any difference between the salary  
47 on or after January 19, 1982 for any judicial position held by the  
48 member and the salary for that position on January 18, 1982, except

Chapter 78, P.L. 2011

1 that there shall be deducted from the payroll of each new member  
2 initially enrolled on or after January 1, 1996, in the retirement  
3 system, 3% of the salary for the judicial position held by the  
4 member. There shall be deducted from the payroll of each member  
5 of the system on and after the effective date of P.L. , c. (pending  
6 before the Legislature as this bill) an additional 9% of the salary for  
7 the judicial position held by the member phased-in in equal  
8 increments over a period of seven years.

9 Every judge of the several courts to whom this amendatory and  
10 supplementary act applies shall be deemed to consent and agree to  
11 any deduction from his compensation required by this act and to all  
12 other provisions of this act. Notwithstanding any other law, rule or  
13 regulation affecting the salary, pay, compensation, other  
14 perquisites, or tenure of person to whom this amendatory and  
15 supplementary act applies, or shall apply, and notwithstanding that  
16 the minimum salary, pay, or compensation or other perquisites  
17 provided by law for him shall be reduced thereby, payment, less  
18 such deductions, shall be a full and complete discharge and  
19 acquittance of all claims and demands for service rendered by him  
20 during the period covered by such payment.

21 (cf: P.L.1995, c.424, s.4)

22

23 10. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to  
24 read as follows:

25 25. a. The annuity savings fund shall be the fund in which shall  
26 be credited accumulated deductions and contributions by members  
27 or on their behalf to provide for their allowances. A single account  
28 shall be established in this fund for each person who is or shall  
29 become a member and all contributions deducted from each such  
30 member's compensation shall be credited to this single account.

31 b. (1) Members enrolled in the retirement system on or after  
32 July 1, 1994 shall contribute 5% of compensation to the system.  
33 Members enrolled in the system prior to July 1, 1994 shall  
34 contribute 5% of compensation to the system effective with the  
35 payroll period for which the beginning date is closest to July 1,  
36 1995, provided, however, that any member enrolled before July 1,  
37 1994, whose full contribution rate under the system prior to the  
38 revisions by this act was less than 6%, shall pay 4% of  
39 compensation to the system effective with the payroll period for  
40 which the beginning date is closest to July 1, 1995, and 5% of  
41 compensation to the system effective with the payroll period for  
42 which the beginning date is closest to July 1, 1996.

43 (2) Members enrolled in the retirement system on or after July  
44 1, 2007 who are:

45 employees of the State, other than employees of the Judicial  
46 Branch;

47 employees of an independent State authority, board, commission,  
48 corporation, agency or organization;

Chapter 78, P.L. 2011

1 employees of a local school district, regional school district,  
2 county vocational school district, county special services school  
3 district, jointure commission, educational services commission,  
4 State-operated school district, charter school, county college, any  
5 officer, board, or commission under the authority of the  
6 Commissioner of Education or of the State Board of Education, and  
7 any other public entity which is established pursuant to authority  
8 provided by Title 18A of the New Jersey Statutes; or

9 employees of a State public institution of higher education, other  
10 than employees of the University of Medicine and Dentistry of New  
11 Jersey shall contribute 5.5% of compensation to the system, and all  
12 such members described above enrolled in the system prior to July  
13 1, 2007 shall contribute 5.5% of compensation to the system  
14 effective with the payroll period for which the beginning date is  
15 closest to July 1, 2007.

16 Members enrolled in the retirement system on or after July 1,  
17 2008, other than those described in the paragraph above, shall  
18 contribute 5.5% of compensation to the system. Members enrolled  
19 in the system prior to July 1, 2008, other than those described in the  
20 paragraph above, shall contribute 5.5% of compensation to the  
21 system effective with the payroll period that begins immediately  
22 after July 1, 2008.

23 (3) Members of the retirement system shall contribute 6.5% of  
24 compensation to the system on and after the effective date of P.L. ,  
25 c. (pending before the Legislature as this bill), with an additional  
26 contribution of 1% to be phased-in in equal increments over a  
27 period of seven years commencing with the first year following that  
28 effective date.

29 c. The retirement system shall certify to each State department  
30 or subdivision thereof, and to each branch of the State service not  
31 included in a State department, and to every other employer, the  
32 proportion of each member's compensation to be deducted and to  
33 facilitate the making of deductions the retirement system may  
34 modify the deduction required by a member by such an amount as  
35 shall not exceed 1/10 of 1% of the compensation upon the basis of  
36 which the deduction is to be made.

37 If payment in full, representing the monthly or biweekly  
38 transmittal and report of salary deductions, is not made within 15  
39 days of the due date established by the retirement system, interest at  
40 the rate of 6% per annum shall commence to run against the total  
41 transmittal of salary deductions for the period on the first day after  
42 such fifteenth day.

43 d. Every employee to whom this act applies shall be deemed to  
44 consent and agree to any deduction from his compensation required  
45 by this act and to all other provisions of this act. Notwithstanding  
46 any other law, rule or regulation affecting the salary, pay,  
47 compensation, other perquisites, or tenure of a person to whom this  
48 act applies, or shall apply, and notwithstanding that the minimum

Chapter 78, P.L. 2011

1 salary, pay, or compensation or other perquisites provided by law  
2 for him shall be reduced thereby, payment, less such deductions,  
3 shall be a full and complete discharge and acquittance of all claims  
4 and demands for service rendered by him during the period covered  
5 by such payment.

6 (cf: P.L.2010, c.1, s.26)

7

8 11. Section 8 of P.L.1955, c.257 (C.43:15A-104) is amended to  
9 read as follows:

10 8. The percentage contribution rate of each member who is a  
11 law enforcement officer shall be fixed according to his age at the  
12 time of becoming a permanent and full-time employee of the State  
13 and shall be 1/2 of the total percentage contribution rate calculated  
14 for such age by the actuary of the board of trustees to be required  
15 to provide all benefits of service retirement, ordinary disability  
16 retirement, and termination of service benefits provided by this act  
17 and the act to which this act is a supplement. In the event that a  
18 member ceases to hold a position as a law enforcement officer  
19 although continuing his employment in a position covered by the  
20 Public Employees' Retirement System, his rate of contribution shall  
21 be fixed in accordance with the rates applicable at that time to  
22 persons becoming members who are not law enforcement officers,  
23 except that his age at the time of becoming a permanent full-time  
24 employee of the State shall be used in determining his rate of  
25 contribution. Members of the retirement system shall contribute  
26 6.5% of compensation to the system on and after the effective date  
27 of P.L. , c. (pending before the Legislature as this bill), with an  
28 additional contribution of 1% to be phased-in in equal increments  
29 over a period of seven years commencing with the first year  
30 following that effective date.

31 (cf: P.L.1956, c.55, s.4)

32

33 12. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to  
34 read as follows:

35 2. Notwithstanding the provisions of section 25 of P.L.1954,  
36 c.84 (C.43:15A-25), (a) a separate account shall be established in  
37 the annuity savings fund for each member of the Legislature and all  
38 contributions based on legislative salaries shall be credited to this  
39 account as distinguished from any other account that the legislator  
40 may have as a result of other public service covered by the  
41 retirement system; and (b) the member of the Legislature shall  
42 contribute at a rate equal to 5% of his legislative salary, which  
43 contribution shall be deducted from his salary at the time or times it  
44 is paid, and which shall be exclusive of any other contribution  
45 required of the member for Social Security, contributory death  
46 benefits or deductions for any other purpose. The contribution rate  
47 shall be 5.5% of the member's legislative salary beginning July 1,  
48 2007. The contribution rate shall be 6.5% of the member's

Chapter 78, P.L. 2011

1 legislative salary on and after the effective date of P.L. ,  
2 c. (pending before the Legislature as this bill), with an additional  
3 contribution of 1% to be phased-in in equal increments over a  
4 period of seven years commencing with the first year following that  
5 effective date.

6 A member of the Legislature who is enrolled on the basis of  
7 other public service before, during, or after his service as a member  
8 of the Legislature shall contribute for such other service at the rate  
9 of contribution required of other members as provided by section  
10 25.

11 (cf: P.L.2007, c.103, s.3)

12

13 13. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to  
14 read as follows:

15 3. a. Notwithstanding the provisions of section 25 of P.L.1954,  
16 c.84 (C.43:15A-25) to the contrary, a separate account shall be  
17 established in the annuity savings fund for each workers  
18 compensation judge and all contributions based on the judge's  
19 salary shall be credited to this account. This account shall be  
20 separate from any other account that the member may have as a  
21 result of other public service covered by the retirement system.

22 b. A workers compensation judge shall contribute at a rate  
23 equal to 5% of the judge's salary, which contribution shall be  
24 deducted from the salary at the time or times it is paid, and which  
25 shall be exclusive of any other contribution required of the member  
26 for Social Security, contributory death benefits or deductions for  
27 any other purpose. The contribution rate shall be 5.5% of the  
28 judge's salary effective with the payroll period for which the  
29 beginning date is closest to July 1, 2007. The contribution rate  
30 shall be 6.5% of the judge's salary on and after the effective date of  
31 P.L. , c. (pending before the Legislature as this bill), with an  
32 additional contribution of 1% to be phased-in in equal increments  
33 over a period of seven years commencing with the first year  
34 following that effective date.

35 c. A workers compensation judge who is enrolled on the basis  
36 of other public service before, during, or after service as a judge of  
37 compensation shall contribute for such other service at the rate of  
38 contribution required of other members as provided by section 25.

39 (cf: P.L.2007, c.103, s.5)

40

41 14. Section 3 of P.L.2001, c.366 (C.43:15A-157) is amended to  
42 read as follows:

43 3. a. Notwithstanding the provisions of section 25 of P.L.1954,  
44 c.84 (C.43:15A-25) to the contrary, a separate account shall be  
45 established in the annuity savings fund for each prosecutor and all  
46 contributions based on the prosecutor's salary shall be credited to  
47 this account.

Chapter 78, P.L. 2011

28

1       b. A prosecutor shall contribute at a rate established by the  
2 board, which contribution shall be deducted from the salary at the  
3 time or times it is paid, and which shall be exclusive of any other  
4 contribution required of the prosecutor for Social Security,  
5 contributory death benefits or deductions for any other purpose.  
6 The contribution rate shall be 10% of the prosecutor's salary on and  
7 after the effective date of P.L. , c. (pending before the Legislature  
8 as this bill).

9       c. A prosecutor who is enrolled on the basis of other public  
10 service before, during, or after service as a prosecutor shall  
11 contribute for such other service at the rate of contribution required  
12 of other members as provided by section 25.

13 (cf: P.L.2001, c.366, s.3)

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

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

19       (2) The uniform percentage contribution rate for members shall  
20 be 8.5% of compensation. Members of the retirement system shall  
21 contribute 10% of compensation to the system on and after the  
22 effective date of P.L. , c. (pending before the Legislature as this  
23 bill).

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

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

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

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

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

41       (8) The deductions provided for herein shall be made  
42 notwithstanding that the minimum salary provided for by law for  
43 any member shall be reduced thereby. Every member shall be  
44 deemed to consent and agree to the deductions made and provided  
45 for herein, and payment of salary or compensation less said  
46 deduction shall be a full and complete discharge and acquittance of  
47 all claims and demands whatsoever for the service rendered by such  
48 person during the period covered by such payment, except as to the

## Chapter 78, P.L. 2011

29

1 benefits provided under this act. The chief fiscal officer of each  
2 employer shall certify to the retirement system in such manner as  
3 the retirement system may prescribe, the amounts deducted; and  
4 when deducted shall be paid into said annuity savings fund, and  
5 shall be credited to the individual account of the member from  
6 whose salary said deduction was made.

7 (9) With respect to employers other than the State, upon the  
8 basis of the tables recommended by the actuary which the board  
9 adopts and regular interest, the actuary shall compute the amount of  
10 the accrued liability as of June 30, 1991 under the projected unit  
11 credit method, which is not already covered by the assets of the  
12 retirement system, valued in accordance with the asset valuation  
13 method established in this section. Using the total amount of this  
14 unfunded accrued liability, the actuary shall compute the initial  
15 amount of contribution which, if the contribution is [increased at a  
16 specific rate and] paid annually in level dollars for a specific period  
17 of time, will amortize this liability. The State Treasurer shall  
18 determine, upon the advice of the Director of the Division of  
19 Pensions and Benefits, the board of trustees and the actuary, [the  
20 rate of increase for the contribution and] the time period for full  
21 funding of this liability, which shall not exceed 40 years on initial  
22 application of this section as amended by this act, P.L.1994, c.62.  
23 This shall be known as the "accrued liability contribution." Any  
24 increase or decrease in the unfunded accrued liability as a result of  
25 actuarial losses or gains for the 10 valuation years following  
26 valuation year 1991 shall serve to increase or decrease,  
27 respectively, the unfunded accrued liability contribution.  
28 Thereafter, any increase or decrease in the unfunded accrued  
29 liability as a result of actuarial losses or gains for subsequent  
30 valuation years shall serve to increase or decrease, respectively, the  
31 amortization period for the unfunded accrued liability, unless an  
32 increase in the amortization period will cause it to exceed 30 years.  
33 If an increase in the amortization period as a result of actuarial  
34 losses for a valuation year would exceed 30 years, the accrued  
35 liability contribution shall be computed for the valuation year in the  
36 same manner provided for the computation of the initial accrued  
37 liability contribution under this section. Beginning with the July 1,  
38 2018 actuarial valuation, the accrued liability contribution shall be  
39 computed so that if the contribution is paid annually in level  
40 dollars, it will amortize this unfunded accrued liability over a closed  
41 30 year period. Beginning with the July 1, 2028 actuarial valuation,  
42 when the remaining amortization period reaches 20 years, any  
43 increase or decrease in the unfunded accrued liability as a result of  
44 actuarial losses or gains for subsequent valuation years shall serve  
45 to increase or decrease, respectively, the amortization period for the  
46 unfunded accrued liability, unless an increase in the amortization  
47 period will cause it to exceed 20 years. If an increase in the  
48 amortization period as a result of actuarial losses for a valuation

## Chapter 78, P.L. 2011

30

1 year would exceed 20 years, the accrued liability contribution shall  
2 be computed for the valuation year in the same manner provided for  
3 the computation of the initial accrued liability contribution under  
4 this section.

5 With respect to the State, upon the basis of the tables  
6 recommended by the actuary which the board adopts and regular  
7 interest, the actuary shall annually determine if there is an amount  
8 of the accrued liability, computed under the projected unit credit  
9 method, which is not already covered by the assets of the retirement  
10 system, valued in accordance with the asset valuation method  
11 established in this section. This shall be known as the "unfunded  
12 accrued liability." If there was no unfunded accrued liability for the  
13 valuation period immediately preceding the current valuation  
14 period, the actuary, using the total amount of this unfunded accrued  
15 liability, shall compute the initial amount of contribution which, if  
16 the contribution is [increased at a specific rate and] paid annually in  
17 level dollars for a specific period of time, will amortize this  
18 liability. The State Treasurer shall determine, upon the advice of  
19 the Director of the Division of Pensions and Benefits, the board of  
20 trustees and the actuary, [the rate of increase for the contribution  
21 and] the time period for full funding of this liability, which shall not  
22 exceed 30 years. This shall be known as the "accrued liability  
23 contribution." Thereafter, any increase or decrease in the unfunded  
24 accrued liability as a result of actuarial losses or gains for  
25 subsequent valuation years shall serve to increase or decrease,  
26 respectively, the amortization period for the unfunded accrued  
27 liability, unless an increase in the amortization period will cause it  
28 to exceed 30 years. If an increase in the amortization period as a  
29 result of actuarial losses for a valuation year would exceed 30 years,  
30 the accrued liability contribution shall be computed for the  
31 valuation year in the same manner provided for the computation of  
32 the initial accrued liability contribution under this section.  
33 Beginning with the July 1, 2018 actuarial valuation, the accrued  
34 liability contribution shall be computed so that if the contribution is  
35 paid annually in level dollars, it will amortize this unfunded accrued  
36 liability over a closed 30 year period. Beginning with the July 1,  
37 2028 actuarial valuation, when the remaining amortization period  
38 reaches 20 years, any increase or decrease in the unfunded accrued  
39 liability as a result of actuarial losses or gains for subsequent  
40 valuation years shall serve to increase or decrease, respectively, the  
41 amortization period for the unfunded accrued liability, unless an  
42 increase in the amortization period will cause it to exceed 20 years.  
43 If an increase in the amortization period as a result of actuarial  
44 losses for a valuation year would exceed 20 years, the accrued  
45 liability contribution shall be computed for the valuation year in the  
46 same manner provided for the computation of the initial accrued  
47 liability contribution under this section.

## Chapter 78, P.L. 2011

31

1       The State may pay all or any portion of its unfunded accrued  
2 liability under the retirement system from any source of funds  
3 legally available for the purpose, including, without limitation, the  
4 proceeds of bonds authorized by law for this purpose.

5       The value of the assets to be used in the computation of the  
6 contributions provided for under this section for valuation periods  
7 shall be the value of the assets for the preceding valuation period  
8 increased by the regular interest rate, plus the net cash flow for the  
9 valuation period (the difference between the benefits and expenses  
10 paid by the system and the contributions to the system) increased by  
11 one half of the regular interest rate, plus 20% of the difference  
12 between this expected value and the full market value of the assets  
13 as of the end of the valuation period. This shall be known as the  
14 "valuation assets." Notwithstanding the first sentence of this  
15 paragraph, the valuation assets for the valuation period ending June  
16 30, 1995 shall be the full market value of the assets as of that date  
17 and, with respect to the valuation assets allocated to the State, shall  
18 include the proceeds from the bonds issued pursuant to the "Pension  
19 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et  
20 seq.), paid to the system by the New Jersey Economic Development  
21 Authority to fund the unfunded accrued liability of the system.  
22 Notwithstanding the first sentence of this paragraph, the percentage  
23 of the difference between the expected value and the full market  
24 value of the assets to be added to the expected value of the assets  
25 for the valuation period ending June 30, 1998 for the State shall be  
26 100% and for other employers shall be 57% plus such additional  
27 percentage as is equivalent to \$150,000,000. Notwithstanding the  
28 first sentence of this paragraph, the amount of the difference  
29 between the expected value and the full market value of the assets  
30 to be added to the expected value of the assets for the valuation  
31 period ending June 30, 1999 shall include an additional amount of  
32 the market value of the assets sufficient to fund (1) the unfunded  
33 accrued liability for the supplementary "special retirement"  
34 allowances provided under subsection b. of section 16 of P.L.1964,  
35 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the  
36 full credit toward benefits under the retirement system for service  
37 credited in the Public Employees' Retirement System and  
38 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)  
39 and the reimbursement of the cost of any credit purchase pursuant  
40 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under  
41 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

42       "Excess valuation assets" means, with respect to the valuation  
43 assets allocated to the State, the valuation assets allocated to the  
44 State for a valuation period less the actuarial accrued liability of the  
45 State for the valuation period, and beginning with the valuation  
46 period ending June 30, 1998, less the present value of the expected  
47 additional normal cost contributions attributable to the provisions of  
48 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the

## Chapter 78, P.L. 2011

32

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

32 If there are excess valuation assets allocated to the State or to the  
33 other employers for the valuation period ending June 30, 1995, the  
34 normal contributions payable by the State or by the other employers  
35 for the valuation periods ending June 30, 1995, and June 30, 1996  
36 which have not yet been paid to the retirement system shall be  
37 reduced to the extent possible by the excess valuation assets  
38 allocated to the State or to the other employers, respectively,  
39 provided that with respect to the excess valuation assets allocated to  
40 the State, the General Fund balances that would have been paid to  
41 the retirement system except for this provision shall first be  
42 allocated as State aid to public schools to the extent that additional  
43 sums are required to comply with the May 14, 1997 decision of the  
44 New Jersey Supreme Court in *Abbott v. Burke*.

45 If there are excess valuation assets allocated to the other  
46 employers for the valuation period ending June 30, 1998, the  
47 accrued liability contributions payable by the other employers for  
48 the valuation period ending June 30, 1997 shall be reduced to the

## Chapter 78, P.L. 2011

1 extent possible by the excess valuation assets allocated to the other  
2 employers.

3 If there are excess valuation assets allocated to the State or to the  
4 other employers for a valuation period ending after June 30, 1998,  
5 the State Treasurer may reduce the normal contribution payable by  
6 the State or by other employers for the next valuation period as  
7 follows:

8 (1) for valuation periods ending June 30, 1996 through June 30,  
9 2000, to the extent possible by up to 100% of the excess valuation  
10 assets allocated to the State or to the other employers, respectively;

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

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

17 (4) for valuation periods ending June 30, 2003 through June 30,  
18 2007, to the extent possible by up to 50% of the excess valuation  
19 assets allocated to the State or to the other employers, respectively.

20 Notwithstanding the discretion provided to the State Treasurer in  
21 the previous paragraph to reduce the amount of the normal  
22 contribution payable by employers other than the State, the State  
23 Treasurer shall reduce the amount of the normal contribution  
24 payable by employers other than the State by \$150,000,000 in the  
25 aggregate for the valuation period ending June 30, 1998, and then  
26 the State Treasurer may reduce further pursuant to the provisions of  
27 the previous paragraph the normal contribution payable by such  
28 employers for that valuation period.

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

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

## Chapter 78, P.L. 2011

34

1       The State Treasurer shall reduce the normal and accrued liability  
2 contributions payable by employers other than the State to 50  
3 percent of the amount certified annually by the retirement system  
4 for payments due in the State fiscal year ending June 30, 2009. An  
5 employer that elects to pay the reduced normal and accrued liability  
6 contribution shall adopt a resolution, separate and apart from other  
7 budget resolutions, stating that the employer needs to pay the  
8 reduced contribution and providing an explanation of that need  
9 which shall include (1) a description of its inability to meet the levy  
10 cap without jeopardizing public safety, health, and welfare or  
11 without jeopardizing the fiscal stability of the employer, or (2) a  
12 description of another condition that offsets the long term fiscal  
13 impact of the payment of the reduced contribution. An employer  
14 also shall document those actions it has taken to reduce its  
15 operating costs, or provide a description of relevant anticipated  
16 circumstances that could have an impact on revenues or  
17 expenditures. This resolution shall be submitted to and approved by  
18 the Local Finance Board after making a finding that these fiscal  
19 conditions are valid and affirming the findings contained in the  
20 employer resolution.

21       An employer that elects to pay 100 percent of the amount  
22 certified by the retirement system for the State fiscal year ending  
23 June 30, 2009 shall be credited with such payment and any such  
24 amounts shall not be included in the employer's unfunded liability.

25       The actuaries for the retirement system shall determine the  
26 unfunded liability of the retirement system, by employer, for the  
27 reduced normal and accrued liability contributions provided under  
28 P.L.2009, c.19. This unfunded liability shall be paid by the  
29 employer in level annual payments over a period of 15 years  
30 beginning with the payments due in the State fiscal year ending  
31 June 30, 2012 and shall be adjusted by the rate of return on the  
32 actuarial value of assets.

33       The retirement system shall annually certify to each employer  
34 the contributions due to the contingent reserve fund for the liability  
35 under P.L.2009, c.19. The contributions certified by the retirement  
36 system shall be paid by the employer to the retirement system on or  
37 before the date prescribed by law for payment of employer  
38 contributions for basic retirement benefits. If payment of the full  
39 amount of the contribution certified is not made within 30 days  
40 after the last date for payment of employer contributions for basic  
41 retirement benefits, interest at the rate of 10% per year shall be  
42 assessed against the unpaid balance on the first day after the  
43 thirtieth day.

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

## Chapter 78, P.L. 2011

1 employ of the employer, and the State Treasurer shall credit such  
2 amount to the appropriate fund or funds, of the retirement system.

3 If payment of the full amount of the employer's obligation is not  
4 made within 30 days of the due date established by this act, interest  
5 at the rate of 10% per annum shall commence to run against the  
6 unpaid balance thereof on the first day after such 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 transmittal of  
11 salary deductions for the period on the first day after such 15th day.

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

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

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

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

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

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

Chapter 78, P.L. 2011

1 Affairs shall certify for each year that each county or municipality  
2 has complied with the requirements set forth herein. If the director  
3 finds that a county or municipality has not used the savings solely  
4 and exclusively for the purpose of reducing the amount that is  
5 required to be raised by the local property tax levy by the county for  
6 county purposes or by the municipality for municipal purposes, as  
7 appropriate, the director shall direct the county or municipal  
8 governing body, as appropriate, to make corrections to its budget.  
9 (cf: P.L.2010, c.1, s.32)

10

11 16. Section 38 of P.L.1965, c.89 (C.53:5A-38) is amended to  
12 read as follows:

13 38. There shall be deducted from the payroll of each active  
14 member of the system 7 1/2 % of the amount of his salary, which  
15 shall be turned over to the State Treasurer and be credited by him  
16 to the account of the State Police Retirement System. Members of  
17 the retirement system shall contribute 9% of salary to the system on  
18 and after the effective date of P.L. , c. (pending before the  
19 Legislature as this bill).

20 The deductions provided for herein shall be made  
21 notwithstanding that the minimum salary provided for by law for  
22 any member shall be reduced thereby. Every member shall be  
23 deemed to consent and agree to the deductions made and provided  
24 for herein, and payment of salary or compensation less said  
25 deductions shall be a full and complete discharge and acquittance  
26 of all claims and demands whatsoever for the service rendered by  
27 such person during the period covered by such payment, except as  
28 to the benefits provided under this act.

29 (cf: P.L.1980, c.55, s.6)

30

31 17. N.J.S.18A:66-37 is amended to read as follows:

32 18A:66-37. Should a member resign after having established 25  
33 years of creditable service before reaching age 60, or before  
34 reaching the age of 62 if the person became a member of the  
35 retirement system on or after the effective date of P.L.2008, c.89, or  
36 after having established 30 years of creditable service before  
37 reaching the age of 65 if the person became a member of the  
38 retirement system on or after the effective date of P.L. , c.  
39 (pending before the Legislature as this bill), the member may elect  
40 "early retirement," provided, that such election is communicated by  
41 such member to the retirement system by filing a written  
42 application, duly attested, stating at what time subsequent to the  
43 execution and filing thereof the member desires to be retired. The  
44 member shall receive, in lieu of the payment provided in  
45 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the  
46 member's accumulated deductions and a pension in the amount  
47 which, when added to the member's annuity, will provide a total  
48 retirement allowance of 1/64 of the member's final compensation

Chapter 78, P.L. 2011

1 for each year of service credited as class A service and 1/55 of the  
2 member's final compensation for each year of service credited as  
3 class B service, or for a person who becomes a member of the  
4 retirement system on or after the effective date of P.L.2010, c.1  
5 1/60 of final compensation for each year of service credited as class  
6 B service, calculated in accordance with N.J.S.18A:66-44, reduced:

7 (a) by 1/4 of 1% for each month that the member lacks of being  
8 age 55; or

9 (b) for a person who becomes a member of the retirement  
10 system on or after July 1, 2007, by 1/4 of 1% for each month that  
11 the member lacks of being age 55 and by 1/12 of 1% for each  
12 month that the member lacks of being age 60 but over age 55; [or]

13 (c) for a person who becomes a member of the retirement  
14 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%  
15 for each month that the member lacks of being age 55 and by 1/12  
16 of 1% for each month that the member lacks of being age 62 but  
17 over age 55; or

18 (d) for a person who becomes a member of the retirement  
19 system on or after the effective date of P.L. , c. (pending before  
20 the Legislature as this bill), by 1/4 of 1% for each month that the  
21 member lacks of being age 65; provided, however, that upon the  
22 receipt of proper proofs of the death of such a member there shall  
23 be paid to the member's beneficiary an amount equal to 3/16 of the  
24 compensation upon which contributions by the member to the  
25 annuity savings fund were based in the last year of creditable  
26 service or in the year of the member's highest contractual salary,  
27 whichever is higher.

28 Subparagraph (b) or (c) of this section shall not apply to a person  
29 who at the time of enrollment in the retirement system on or after  
30 July 1, 2007 transfers service credit from another State-  
31 administered retirement system pursuant to N.J.S.18A:66-15.1, but  
32 shall apply to a former member of the retirement system who has  
33 been granted a retirement allowance and is reenrolled in the  
34 retirement system on or after July 1, 2007 pursuant to  
35 N.J.S.18A:66-53.2 after becoming employed again in a position that  
36 makes the person eligible to be a member of the retirement system.

37 The board of trustees shall retire the member at the time  
38 specified or at such other time within one month after the date so  
39 specified as the board finds advisable.

40 (cf: P.L.2010, c.1, s.9)

41

42 18. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to  
43 read as follows:

44 41. a. A member who withdraws from service or ceases to be an  
45 employee for any cause other than death or retirement shall, upon  
46 the filing of an application therefor, receive all of his accumulated  
47 deductions standing to the credit of his individual account in the  
48 annuity savings fund, plus regular interest, less any outstanding

## Chapter 78, P.L. 2011

38

1 loan, except that for any period after June 30, 1944, the interest  
2 payable shall be such proportion of the interest determined at the  
3 regular rate of 2% per annum bears to the regular rate of interest,  
4 and except that no interest shall be payable in the case of a member  
5 who has less than three years of membership credit for which he has  
6 made contributions. He shall cease to be a member two years from  
7 the date he discontinued service as an eligible employee, or, if prior  
8 thereto, upon payment to him of his accumulated deductions. If any  
9 such person or member shall die before withdrawing or before  
10 endorsing the check constituting the return of his accumulated  
11 deductions, such deductions shall be paid to the member's  
12 beneficiary. No member shall be entitled to withdraw the amounts  
13 contributed by his employer covering his military leave unless he  
14 shall have returned to the payroll and contributed to the retirement  
15 system for a period of 90 days.

16 b. Should a member resign after having established 25 years of  
17 creditable service before reaching age 60, or before reaching age 62  
18 if the person became a member of the retirement system on or after  
19 the effective date of P.L.2008, c.89, or after having established 30  
20 years of creditable service before reaching the age of 65 if the  
21 person became a member of the retirement system on or after the  
22 effective date of P.L. , c. (pending before the Legislature as this  
23 bill), he may elect "early retirement," provided, that such election is  
24 communicated by such member to the retirement system by filing a  
25 written application, duly attested, stating at what time subsequent to  
26 the execution and filing thereof he desires to be retired. He shall  
27 receive, in lieu of the payment provided in subsection a. of this  
28 section, an annuity which is the actuarial equivalent of his  
29 accumulated deductions together with regular interest, and a  
30 pension in the amount which, when added to the member's annuity,  
31 will provide a total retirement allowance of 1/64 of final  
32 compensation for each year of service credited as Class A service  
33 and 1/55 of final compensation for each year of service credited as  
34 Class B service, or for a person who becomes a member of the  
35 retirement system on or after the effective date of P.L.2010, c.1  
36 1/60 of final compensation for each year of service credited as  
37 Class B service, calculated in accordance with section 48  
38 (C.43:15A-48) of this act, reduced:

39 (a) by 1/4 of 1% for each month that the member lacks of being  
40 age 55; or

41 (b) for a person who becomes a member of the retirement  
42 system on or after July 1, 2007, by 1/4 of 1% for each month that  
43 the member lacks of being age 55 and by 1/12 of 1% for each  
44 month that the member lacks of being age 60 but over age 55; [or]

45 (c) for a person who becomes a member of the retirement  
46 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%  
47 for each month that the member lacks of being age 55 and by 1/12

Chapter 78, P.L. 2011

1 of 1% for each month that the member lacks of being age 62 but  
2 over age 55; or

3 (d) for a person who becomes a member of the retirement  
4 system on or after the effective date of P.L. , c. (pending before  
5 the Legislature as this bill), by 1/4 of 1% for each month that the  
6 member lacks of being age 65; provided, however, that upon the  
7 receipt of proper proofs of the death of such a member there shall  
8 be paid to his beneficiary an amount equal to three-sixteenths of the  
9 compensation upon which contributions by the member to the  
10 annuity savings fund were based in the last year of creditable  
11 service.

12 Paragraph (b) or (c) of this subsection shall not apply to a person  
13 who at the time of enrollment in the retirement system on or after  
14 July 1, 2007 transfers service credit from another State-  
15 administered retirement system pursuant to section 14 of P.L.1954,  
16 c.84 (C.43:15A-14), but shall apply to a former member of the  
17 retirement system who has been granted a retirement allowance and  
18 is reenrolled in the retirement system on or after July 1, 2007  
19 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after  
20 becoming employed again in a position that makes the person  
21 eligible to be a member of the retirement system.

22 The board of trustees shall retire him at the time specified or at  
23 such other time within one month after the date so specified as the  
24 board finds advisable.

25 c. Upon the receipt of proper proofs of the death of a member  
26 in service on account of which no accidental death benefit is  
27 payable under section 49 there shall be paid to such member's  
28 beneficiary:

29 (1) The member's accumulated deductions at the time of death  
30 together with regular interest; and

31 (2) An amount equal to one and one-half times the  
32 compensation upon which contributions by the member to the  
33 annuity savings fund were based in the last year of creditable  
34 service.

35 (cf: P.L.2010, c.1, s.12)

36

37 19. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended  
38 to read as follows:

39 16. a. Should a member resign after having established 25 years  
40 of creditable service, he may elect "special retirement," provided,  
41 that such election is communicated by such member to the  
42 retirement system by filing a written application, duly attested,  
43 stating at what time subsequent to the execution and filing thereof  
44 he desires to be retired. He shall receive, in lieu of the payment  
45 provided in section 11, a retirement allowance which shall consist  
46 of:

47 (1) An annuity which shall be the actuarial equivalent of his  
48 aggregate contributions, and

Chapter 78, P.L. 2011

1 (2) A pension in the amount which, when added to the member's  
2 annuity, will provide (a) for a person who is a member on the  
3 effective date of P.L. , c. (pending before the Legislature as this  
4 bill), a total retirement allowance of 65% of [his] final  
5 compensation, plus 1% of [his] final compensation multiplied by  
6 the number of years of creditable service over 25 but not over 30 or  
7 (b) for a person who becomes a member of the retirement system  
8 after that effective date, a total retirement allowance of 60% of final  
9 compensation, plus 1% of final compensation multiplied by the  
10 number of years of creditable service over 25 but not over 30;  
11 provided, however, that any member who has earned, prior to July  
12 1, 1979, more than 30 years of creditable service, shall receive an  
13 additional 1% of his final compensation for each year of his  
14 creditable service over 30.

15 The board of trustees shall retire him at the time specified or at  
16 such other time within one month after the date so specified as the  
17 board finds advisable.

18 Upon the receipt of proper proofs of the death of such a retired  
19 member, there shall be paid to his beneficiary an amount equal to  
20 one-half of the final compensation received by the member.

21 b. The "special retirement" allowance payable under subsection  
22 a. of this section to any person who retired under the retirement  
23 system prior to December 20, 1989 shall be increased by an amount  
24 equal to 5% of the person's final compensation or by such lesser  
25 amount as would, if added to the allowance payable at the time of  
26 retirement, provide a total retirement allowance of 70% of final  
27 compensation, except that in the case of such a retirant who retired  
28 on or after July 1, 1979 and had earned prior to that date more than  
29 30 years of creditable service, the amount of the increase shall be  
30 equal to 5% of the person's final compensation irrespective of the  
31 total retirement allowance which such an increase would provide.  
32 The provisions of this subsection shall not be construed either to  
33 require a reduction in the retirement allowance payable to any  
34 retirant or to provide for the payment of any adjustment in such an  
35 allowance with respect to any period of time prior to the first day of  
36 the month following that effective date.

37 (cf: P.L.2010, c.1, s.31)

38

39 20. N.J.S.18A:66-18 is amended to read as follows:

40 18A:66-18. The contingent reserve fund shall be the fund in  
41 which shall be credited contributions made by the State and other  
42 employers.

43 a. Upon the basis of the tables recommended by the actuary  
44 which the board of trustees adopts and regular interest, the actuary  
45 of the board shall compute annually, beginning as of March 31,  
46 1992, the amount of contribution which shall be the normal cost as  
47 computed under the projected unit credit method attributable to  
48 service rendered under the retirement system for the year beginning

## Chapter 78, P.L. 2011

1 on July 1 immediately succeeding the date of the computation. This  
2 shall be known as the "normal contribution."

3 b. Upon the basis of the tables recommended by the actuary  
4 which the board of trustees adopts and regular interest, the actuary  
5 of the board shall annually determine if there is an amount of the  
6 accrued liability of the retirement system, computed under the  
7 projected unit credit method, including the liability for pension  
8 adjustment benefits for active employees funded pursuant to section  
9 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered  
10 by the assets of the retirement system, valued in accordance with  
11 the asset valuation method established in this section. This shall be  
12 known as the "unfunded accrued liability." If there was no  
13 unfunded accrued liability for the valuation period immediately  
14 preceding the current valuation period, the actuary, using the total  
15 amount of this unfunded accrued liability, shall compute the initial  
16 amount of contribution which, if [the contribution is increased at a  
17 specific rate and] paid annually in level dollars for a specific period  
18 of time, will amortize this liability. The State Treasurer shall  
19 determine, upon the advice of the Director of the Division of  
20 Pensions and Benefits, the board of trustees and the actuary, [the  
21 rate of increase for the contribution and] the time period for full  
22 funding of this liability, which shall not exceed 30 years. This shall  
23 be known as the "accrued liability contribution." Thereafter, any  
24 increase or decrease in the unfunded accrued liability as a result of  
25 actuarial losses or gains for subsequent valuation years shall serve  
26 to increase or decrease, respectively, the amortization period for the  
27 unfunded accrued liability, unless an increase in the amortization  
28 period will cause it to exceed 30 years. If an increase in the  
29 amortization period as a result of actuarial losses for a valuation  
30 year would exceed 30 years, the accrued liability contribution shall  
31 be computed for the valuation year in the same manner provided for  
32 the computation of the initial accrued liability contribution under  
33 this section. Beginning with the July 1, 2019 actuarial valuation,  
34 the accrued liability contribution shall be computed so that if the  
35 contribution is paid annually in level dollars, it will amortize this  
36 unfunded accrued liability over a closed 30 year period. Beginning  
37 with the July 1, 2029 actuarial valuation, when the remaining  
38 amortization period reaches 20 years, any increase or decrease in  
39 the unfunded accrued liability as a result of actuarial losses or gains  
40 for subsequent valuation years shall serve to increase or decrease,  
41 respectively, the amortization period for the unfunded accrued  
42 liability, unless an increase in the amortization period will cause it  
43 to exceed 20 years. If an increase in the amortization period as a  
44 result of actuarial losses for a valuation year would exceed 20 years,  
45 the accrued liability contribution shall be computed for the  
46 valuation year in the same manner provided for the computation of  
47 the initial accrued liability contribution under this section.

## Chapter 78, P.L. 2011

42

1       The State may pay all or any portion of its unfunded accrued  
2 liability under the retirement system from any source of funds  
3 legally available for the purpose, including, without limitation, the  
4 proceeds of bonds authorized by law for this purpose.

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

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

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

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

## Chapter 78, P.L. 2011

43

1 public schools to the extent that additional sums are required to  
2 comply with the May 14, 1997 decision of the New Jersey Supreme  
3 Court in *Abbott v. Burke*, and provided further that the normal  
4 contribution for the valuation period ending March 31, 1996 shall  
5 not be less than \$54,000,000. If there are excess valuation assets  
6 for a valuation period ending after March 31, 1996, the State  
7 Treasurer may reduce the normal contribution payable for the next  
8 valuation period as follows:

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

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

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

16 (4) for valuation periods ending March 31, 2004 through June  
17 30, 2007, to the extent possible by up to 50% of the excess  
18 valuation assets.

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

38 If there are excess valuation assets after reductions in normal  
39 contributions and member contributions as authorized in the  
40 preceding paragraphs for a valuation period beginning with the  
41 valuation period ending June 30, 1999, an amount of excess  
42 valuation assets not to exceed the amount of the member  
43 contributions for the fiscal year in which the normal contributions  
44 are payable shall be credited to the benefit enhancement fund. The  
45 amount of excess valuation assets credited to the benefit  
46 enhancement fund shall not exceed the present value of the  
47 expected additional normal contributions attributable to the  
48 provisions of P.L.2001, c.133 payable on behalf of the active

## Chapter 78, P.L. 2011

44

1 members over the expected working lives of the active members in  
2 accordance with the tables of actuarial assumptions for the  
3 valuation period. No additional excess valuation assets shall be  
4 credited to the benefit enhancement fund after the maximum  
5 amount is attained. Interest shall be credited to the benefit  
6 enhancement fund as provided under N.J.S.18A:66-25.

7 The normal contribution for the increased benefits for active  
8 members under P.L.2001, c.133 shall be paid from the benefit  
9 enhancement fund. If assets in the benefit enhancement fund are  
10 insufficient to pay the normal contribution for the increased benefits  
11 for a valuation period, the State shall pay the amount of normal  
12 contribution for the increased benefits not covered by assets from  
13 the benefit enhancement fund.

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

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

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

24 f. The disbursements for benefits not covered by reserves in  
25 the system on account of veterans shall be met by direct  
26 contribution of the State.

27 (cf: P.L.2007, c.92, s.24)

28

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

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

39 b. Upon the basis of the tables recommended by the actuary  
40 which the commission adopts and regular interest, the actuary shall  
41 annually determine if there is an amount of the accrued liability of  
42 the retirement system, computed under the projected unit credit  
43 method, which is not already covered by the assets of the retirement  
44 system, valued in accordance with the asset valuation method  
45 established in this section. This shall be known as the "unfunded  
46 accrued liability." If there was no unfunded accrued liability for the  
47 valuation period immediately preceding the current valuation  
48 period, the actuary, using the total amount of this unfunded accrued

## Chapter 78, P.L. 2011

45

1 liability, shall compute the initial amount of contribution which, if  
2 **[the contribution is increased at a specific rate and]** paid annually in  
3 level dollars for a specific period of time, will amortize this  
4 liability. The State Treasurer shall determine, upon the advice of  
5 the Director of the Division of Pensions and Benefits, the  
6 commission and the actuary, **[the rate of increase for the**  
7 **contribution and]** the time period for full funding of this liability,  
8 which shall not exceed 30 years. This shall be known as the  
9 "accrued liability contribution." Thereafter, any increase or decrease  
10 in the unfunded accrued liability as a result of actuarial losses or  
11 gains for subsequent valuation years shall serve to increase or  
12 decrease, respectively, the amortization period for the unfunded  
13 accrued liability, unless an increase in the amortization period will  
14 cause it to exceed 30 years. If an increase in the amortization  
15 period as a result of actuarial losses for a valuation year would  
16 exceed 30 years, the accrued liability contribution shall be  
17 computed for the valuation year in the same manner provided for  
18 the computation of the initial accrued liability contribution under  
19 this section. Beginning with the July 1, 2019 actuarial valuation,  
20 the accrued liability contribution shall be computed so that if the  
21 contribution is paid annually in level dollars, it will amortize this  
22 unfunded accrued liability over a closed 30 year period. Beginning  
23 with the July 1, 2029 actuarial valuation, when the remaining  
24 amortization period reaches 20 years, any increase or decrease in  
25 the unfunded accrued liability as a result of actuarial losses or gains  
26 for subsequent valuation years shall serve to increase or decrease,  
27 respectively, the amortization period for the unfunded accrued  
28 liability, unless an increase in the amortization period will cause it  
29 to exceed 20 years. If an increase in the amortization period as a  
30 result of actuarial losses for a valuation year would exceed 20 years,  
31 the accrued liability contribution shall be computed for the  
32 valuation year in the same manner provided for the computation of  
33 the initial accrued liability contribution under this section.

34 The State may pay all or any portion of its unfunded accrued  
35 liability under the retirement system from any source of funds  
36 legally available for the purpose, including, without limitation, the  
37 proceeds of bonds authorized by law for this purpose.

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

## Chapter 78, P.L. 2011

46

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

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

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

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

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

29 (4) for valuation periods ending June 30, 2004 through June 30,  
30 2007, to the extent possible by up to 50% of the excess valuation  
31 assets.

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

37 The cash death benefits, payable as the result of contribution by  
38 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 d. (Deleted by amendment, P.L.1992, c.125.)

42 (cf: P.L.2007, c.92, s.25)

43

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

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

## Chapter 78, P.L. 2011

47

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

9 b. With respect to employers other than the State, upon the  
10 basis of the tables recommended by the actuary which the board  
11 adopts and regular interest, the actuary shall compute the amount of  
12 the accrued liability of the retirement system as of March 31, 1992  
13 under the projected unit credit method, excluding the liability for  
14 pension adjustment benefits for active employees funded pursuant  
15 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already  
16 covered by the assets of the retirement system, valued in accordance  
17 with the asset valuation method established in this section. Using  
18 the total amount of this unfunded accrued liability, the actuary shall  
19 compute the initial amount of contribution which, if [the  
20 contribution is increased at a specific rate and] paid annually in  
21 level dollars for a specific period of time, will amortize this  
22 liability. The State Treasurer shall determine, upon the advice of  
23 the Director of the Division of Pensions and Benefits, the board of  
24 trustees and the actuary, [the rate of increase for the contribution  
25 and] the time period for full funding of this liability, which shall not  
26 exceed 40 years on initial application of this section as amended by  
27 this act, P.L.1994, c.62. This shall be known as the "accrued  
28 liability contribution." Any increase or decrease in the unfunded  
29 accrued liability as a result of actuarial losses or gains for the 10  
30 valuation years following valuation year 1992 shall serve to  
31 increase or decrease, respectively, the unfunded accrued liability  
32 contribution. Thereafter, any increase or decrease in the unfunded  
33 accrued liability as a result of actuarial losses or gains for  
34 subsequent valuation years shall serve to increase or decrease,  
35 respectively, the amortization period for the unfunded accrued  
36 liability, unless an increase in the amortization period will cause it  
37 to exceed 30 years. If an increase in the amortization period as a  
38 result of actuarial losses for a valuation year would exceed 30 years,  
39 the accrued liability contribution shall be computed for the  
40 valuation year in the same manner provided for the computation of  
41 the initial accrued liability contribution under this section.  
42 Beginning with the July 1, 2019 actuarial valuation, the accrued  
43 liability contribution shall be computed so that if the contribution is  
44 paid annually in level dollars, it will amortize this unfunded accrued  
45 liability over a closed 30 year period. Beginning with the July 1,  
46 2029 actuarial valuation, when the remaining amortization period  
47 reaches 20 years, any increase or decrease in the unfunded accrued  
48 liability as a result of actuarial losses or gains for subsequent

## Chapter 78, P.L. 2011

48

1 valuation years shall serve to increase or decrease, respectively, the  
2 amortization period for the unfunded accrued liability, unless an  
3 increase in the amortization period will cause it to exceed 20 years.  
4 If an increase in the amortization period as a result of actuarial  
5 losses for a valuation year would exceed 20 years, the accrued  
6 liability contribution shall be computed for the valuation year in the  
7 same manner provided for the computation of the initial accrued  
8 liability contribution under this section.

9 With respect to the State, upon the basis of the tables  
10 recommended by the actuary which the commission adopts and  
11 regular interest, the actuary shall annually determine if there is an  
12 amount of the accrued liability of the retirement system, computed  
13 under the projected unit credit method, which is not already covered  
14 by the assets of the retirement system, valued in accordance with  
15 the asset valuation method established in this section. This shall be  
16 known as the "unfunded accrued liability." If there was no  
17 unfunded accrued liability for the valuation period immediately  
18 preceding the current valuation period, the actuary, using the total  
19 amount of this unfunded accrued liability, shall compute the initial  
20 amount of contribution which, if [the contribution is increased at a  
21 specific rate and] paid annually in level dollars for a specific period  
22 of time, will amortize this liability. The State Treasurer shall  
23 determine, upon the advice of the Director of the Division of  
24 Pensions and Benefits, the commission and the actuary, [the rate of  
25 increase for the contribution and] the time period for full funding of  
26 this liability, which shall not exceed 30 years. This shall be known  
27 as the "accrued liability contribution." Thereafter, any increase or  
28 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  
33 period as a result of actuarial losses for a valuation year would  
34 exceed 30 years, the accrued liability contribution shall be  
35 computed for the valuation year in the same manner provided for  
36 the computation of the initial accrued liability contribution under  
37 this section. Beginning with the July 1, 2019 actuarial valuation,  
38 the accrued liability contribution shall be computed so that if the  
39 contribution is paid annually in level dollars, it will amortize this  
40 unfunded accrued liability over a closed 30 year period. Beginning  
41 with the July 1, 2029 actuarial valuation, when the remaining  
42 amortization period reaches 20 years, any increase or decrease in  
43 the unfunded accrued liability as a result of actuarial losses or gains  
44 for subsequent valuation years shall serve to increase or decrease,  
45 respectively, the amortization period for the unfunded accrued  
46 liability, unless an increase in the amortization period will cause it  
47 to exceed 20 years. If an increase in the amortization period as a  
48 result of actuarial losses for a valuation year would exceed 20 years,

## Chapter 78, P.L. 2011

49

1 the accrued liability contribution shall be computed for the  
2 valuation year in the same manner provided for the computation of  
3 the initial accrued liability contribution under this section.

4 The State may pay all or any portion of its unfunded accrued  
5 liability under the retirement system from any source of funds  
6 legally available for the purpose, including, without limitation, the  
7 proceeds of bonds authorized by law for this purpose.

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

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

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

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

33 (3) the contributory group insurance premium fund, created by  
34 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section  
35 4 of P.L.1960, c.79; less

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

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

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

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

## Chapter 78, P.L. 2011

50

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

7 (3) the contributory group insurance premium fund, created by  
8 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section  
9 4 of P.L.1960, c.79; less

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

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

36 (1) for valuation periods ending March 31, 1997 through March  
37 31, 2001, to the extent possible by up to 100% of the excess  
38 valuation assets allocated to the State or to the other employers,  
39 respectively;

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

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

46 (4) for valuation periods ending March 31, 2004 through June  
47 30, 2007, to the extent possible by up to 50% of the excess

## Chapter 78, P.L. 2011

51

1 valuation assets allocated to the State or to the other employers,  
2 respectively.

3 For calendar years 1998 and 1999, the rate of contribution of  
4 members of the retirement system under section 25 of P.L.1954,  
5 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess  
6 valuation assets and for calendar years 2000 and 2001, the rate of  
7 contribution shall be reduced by 2% from excess valuation assets.  
8 Thereafter, through calendar year 2007, the rate of contribution of  
9 members of the retirement system under that section for a calendar  
10 year shall be reduced equally with normal contributions to the  
11 extent possible, but not by more than 2%, from excess valuation  
12 assets if the State Treasurer determines that excess valuation assets  
13 shall be used to reduce normal contributions by the State and local  
14 employers for the fiscal year beginning immediately prior to the  
15 calendar year, or for the calendar year for local employers whose  
16 fiscal year is the calendar year, and excess valuation assets above  
17 the amount necessary to fund the reduction for that calendar year in  
18 the member contribution rate plus an equal reduction in the normal  
19 contribution shall be available for the further reduction of normal  
20 contributions, subject to the limitations prescribed by this  
21 subsection.

22 If there are excess valuation assets after reductions in normal  
23 contributions and member contributions as authorized in the  
24 preceding paragraphs for a valuation period beginning with the  
25 valuation period ending June 30, 1999, an amount of excess  
26 valuation assets not to exceed the amount of the member  
27 contributions for the fiscal year in which the normal contributions  
28 are payable shall be credited to the benefit enhancement fund. The  
29 amount of excess valuation assets credited to the benefit  
30 enhancement fund shall not exceed the present value of the  
31 expected additional normal contributions attributable to the  
32 provisions of P.L.2001, c.133 payable on behalf of the active  
33 members over the expected working lives of the active members in  
34 accordance with the tables of actuarial assumptions for the  
35 valuation period. No additional excess valuation assets shall be  
36 credited to the benefit enhancement fund after the maximum  
37 amount is attained. Interest shall be credited to the benefit  
38 enhancement fund as provided under section 33 of P.L.1954, c.84  
39 (C.43:15A-33).

40 The normal contribution for the increased benefits for active  
41 employees under P.L.2001, c.133 shall be paid from the benefit  
42 enhancement fund. If assets in the benefit enhancement fund are  
43 insufficient to pay the normal contribution for the increased benefits  
44 for a valuation period, the State shall pay the amount of normal  
45 contribution for the increased benefits not covered by assets from  
46 the benefit enhancement fund.

47 c. The retirement system shall certify annually the aggregate  
48 amount payable to the contingent reserve fund in the ensuing year,

## Chapter 78, P.L. 2011

52

1 which amount shall be equal to the sum of the amounts described in  
2 this section.

3 The State Treasurer shall reduce the normal and accrued liability  
4 contributions payable by employers other than the State, excluding  
5 the contribution payable from the benefit enhancement fund, to a  
6 percentage of the amount certified annually by the retirement  
7 system, which percentage shall be: for payments due in the State  
8 fiscal year ending June 30, 2005, 20%; for payments due in the  
9 State fiscal year ending June 30, 2006, not more than 40%; for  
10 payments due in the State fiscal year ending June 30, 2007, not  
11 more than 60%; and for payments due in the State fiscal year ending  
12 June 30, 2008, not more than 80%.

13 The State Treasurer shall reduce the normal and accrued liability  
14 contributions payable by employers other than the State, excluding  
15 the contribution payable from the benefit enhancement fund, to 50  
16 percent of the amount certified annually by the retirement system,  
17 for payments due in the State fiscal year ending June 30, 2009. An  
18 employer that elects to pay the reduced normal and accrued liability  
19 contribution shall adopt a resolution, separate and apart from other  
20 budget resolutions, stating that the employer needs to pay the  
21 reduced contribution and providing an explanation of that need  
22 which shall include (1) a description of its inability to meet the levy  
23 cap without jeopardizing public safety, health, and welfare or  
24 without jeopardizing the fiscal stability of the employer, or (2) a  
25 description of another condition that offsets the long term fiscal  
26 impact of the payment of the reduced contribution. An employer  
27 also shall document those actions it has taken to reduce its  
28 operating costs, or provide a description of relevant anticipated  
29 circumstances that could have an impact on revenues or  
30 expenditures. This resolution shall be submitted to and approved by  
31 the Local Finance Board after making a finding that these fiscal  
32 conditions are valid and affirming the findings contained in the  
33 employer resolution.

34 An employer that elects to pay 100 percent of the amount  
35 certified by the retirement system for the State fiscal year ending  
36 June 30, 2009 shall be credited with such payment and any such  
37 amounts shall not be included in the employer's unfunded liability.

38 The actuaries for the retirement system shall determine the  
39 unfunded liability of the retirement system, by employer, for the  
40 reduced normal and accrued liability contributions provided under  
41 P.L.2009, c.19. This unfunded liability shall be paid by the  
42 employer in level annual payments over a period of 15 years  
43 beginning with the payments due in the State fiscal year ending  
44 June 30, 2012 and shall be adjusted by the rate of return on the  
45 actuarial value of assets.

46 The retirement system shall annually certify to each employer  
47 the contributions due to the contingent reserve fund for the liability  
48 under P.L.2009, c.19. The contributions certified by the retirement

Chapter 78, P.L. 2011

1 system shall be paid by the employer to the retirement system on or  
2 before the date prescribed by law for payment of employer  
3 contributions for basic retirement benefits. If payment of the full  
4 amount of the contribution certified is not made within 30 days  
5 after the last date for payment of employer contributions for basic  
6 retirement benefits, interest at the rate of 10% per year shall be  
7 assessed against the unpaid balance on the first day after the  
8 thirtieth day.

9 The State shall pay into the contingent reserve fund during the  
10 ensuing year the amount so determined. The death benefits,  
11 payable as a result of contribution by the State under the provisions  
12 of this chapter upon the death of an active or retired member, shall  
13 be paid from the contingent reserve fund.

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

17 (cf: P.L.2009, c.19, s.1)

18

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

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

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

31 b. Upon the basis of the tables recommended by the actuary  
32 which the board adopts and regular interest, the actuary shall  
33 annually determine if there is an amount of the accrued liability of  
34 the retirement system, computed under the projected unit credit  
35 method, which is not already covered by the assets of the retirement  
36 system, valued in accordance with the asset valuation method  
37 established in this section. This shall be known as the "unfunded  
38 accrued liability." If there was no unfunded accrued liability for the  
39 valuation period immediately preceding the current valuation  
40 period, the actuary, using the total amount of this unfunded accrued  
41 liability, shall compute the initial amount of contribution which, if  
42 [the contribution is increased at a specific rate and] paid annually in  
43 level dollars for a specific period of time, will amortize this  
44 liability. The State Treasurer shall determine, upon the advice of  
45 the Director of the Division of Pensions and Benefits, the board of  
46 trustees and the actuary, [the rate of increase for the contribution  
47 and] the time period for full funding of this liability, which shall not  
48 exceed 30 years. This shall be known as the "accrued liability

## Chapter 78, P.L. 2011

1 contribution." Thereafter, any increase or decrease in the unfunded  
2 accrued liability as a result of actuarial losses or gains for  
3 subsequent valuation years shall serve to increase or decrease,  
4 respectively, the amortization period for the unfunded accrued  
5 liability, unless an increase in the amortization period will cause it  
6 to exceed 30 years. If an increase in the amortization period as a  
7 result of actuarial losses for a valuation year would exceed 30 years,  
8 the accrued liability contribution shall be computed for the  
9 valuation year in the same manner provided for the computation of  
10 the initial accrued liability contribution under this section.  
11 Beginning with the July 1, 2019 actuarial valuation, the accrued  
12 liability contribution shall be computed so that if the contribution is  
13 paid annually in level dollars, it will amortize this unfunded accrued  
14 liability over a closed 30 year period. Beginning with the July 1,  
15 2029 actuarial valuation, when the remaining amortization period  
16 reaches 20 years, any increase or decrease in the unfunded accrued  
17 liability as a result of actuarial losses or gains for subsequent  
18 valuation years shall serve to increase or decrease, respectively, the  
19 amortization period for the unfunded accrued liability, unless an  
20 increase in the amortization period will cause it to exceed 20 years.  
21 If an increase in the amortization period as a result of actuarial  
22 losses for a valuation year would exceed 20 years, the accrued  
23 liability contribution shall be computed for the valuation year in the  
24 same manner provided for the computation of the initial accrued  
25 liability contribution under this section.

26 The State may pay all or any portion of its unfunded accrued  
27 liability under the retirement system from any source of funds  
28 legally available for the purpose, including, without limitation, the  
29 proceeds of bonds authorized by law for this purpose.

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

47 "Excess valuation assets" means the valuation assets for a  
48 valuation period less the actuarial accrued liability for the valuation

## Chapter 78, P.L. 2011

55

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

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

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

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

21 (4) for valuation periods ending June 30, 2004 through June 30,  
22 2007, to the extent possible by up to 50% of the excess valuation  
23 assets.

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

37 The cash death benefits, payable as the result of contribution by  
38 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 the  
40 Contingent Reserve Fund.

41 (cf: P.L.2007, c.92, s.27)

42

43 24. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to  
44 read as follows:

45 19. There is hereby established the Retirement Systems Actuary  
46 Selection Committee which shall consist of the State Treasurer, and  
47 the directors of the Divisions of Pensions and Benefits and  
48 Investment, and Office of Management and Budget, or their

## Chapter 78, P.L. 2011

56

1 designated representatives, and one member designated by each of  
2 the boards of trustees of the Public Employees' Retirement System  
3 established pursuant to P.L.1954, c.84 (C. 43:15A-1 et seq.), the  
4 Teachers' Pension and Annuity Fund established pursuant to  
5 N.J.S.18A:66-1 et seq., and the Police and Firemen's Retirement  
6 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et  
7 seq.). The committee shall select the actuary or actuaries for the  
8 State retirement systems in accordance with the provisions of  
9 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the  
10 boards shall have the power to veto the selection of the actuary for  
11 valid reason.

12 (cf: P.L.1992, c.125, s.19)

13

14 25. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read  
15 as follows:

16 2. The monthly retirement allowance or pension originally  
17 granted to any retirant and the pension or survivorship benefit  
18 originally granted to any beneficiary shall be adjusted in accordance  
19 with the provisions of this act provided, however, that:

20 a. the maximum retirement allowance, without option, shall  
21 be considered the retirement allowance originally granted to any  
22 retirant who, at retirement, elected an Option I allowance pursuant  
23 to the provisions of the statutes stipulated in subsection b. of section  
24 1 of this act (C.43:3B-1); and b. the minimum pension granted to  
25 any beneficiary stipulated in subsection d. (4) of section 1 of this  
26 act (C.43:3B-1), shall be considered the pension originally granted  
27 to such beneficiary.

28 Pension adjustments shall not be paid to retirants or beneficiaries  
29 who are not receiving their regular, full, monthly retirement  
30 allowances, pensions or survivorship benefits. The adjustment  
31 granted under the provisions of this act shall be effective only on  
32 the first day of a month, shall be paid in monthly installments, and  
33 shall not be decreased, increased, revoked or repealed except as  
34 otherwise provided in this act. No adjustment shall be due to a  
35 retirant or a beneficiary unless it constitutes a payment for an entire  
36 month; provided, however, that an adjustment shall be payable for  
37 the entire month in which the retirant or beneficiary dies.

38 Commencing with the effective date of P.L. , c. (pending  
39 before the Legislature as this bill) and thereafter, no further  
40 adjustments to the monthly retirement allowance or pension  
41 originally granted to any retirant and the pension or survivorship  
42 benefit granted to any beneficiary shall be made in accordance with  
43 the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the  
44 adjustment is reactivated as permitted by law. This provision shall  
45 not reduce the monthly retirement benefit that a retirant or a  
46 beneficiary is receiving on the effective date of P.L. , c. (pending

Chapter 78, P.L. 2011

1 before the Legislature as this bill) when the benefit includes an  
2 adjustment granted prior to that effective date.

3 (cf: P.L.1993, c.335, s.2)

4

5 26. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to  
6 read as follows:

7 5. a. For purposes of this section, a "non-forfeitable right to  
8 receive benefits" means that the benefits program, for any employee  
9 for whom the right has attached, cannot be reduced. The provisions  
10 of this section shall not apply to post-retirement medical benefits  
11 which are provided pursuant to law.

12 b. Vested members of the Teachers' Pension and Annuity Fund,  
13 the Judicial Retirement System, the Prison Officers' Pension Fund,  
14 the Public Employees' Retirement System, the Consolidated Police  
15 and Firemen's Pension Fund, the Police and Firemen's Retirement  
16 System, and the State Police Retirement System, upon the  
17 attainment of five years of service credit in the retirement system or  
18 fund or on the date of enactment of this bill, whichever is later,  
19 shall have a non-forfeitable right to receive benefits as provided  
20 under the laws governing the retirement system or fund upon the  
21 attainment of five years of service credit in the retirement system or  
22 fund or on the effective date of this act, whichever is later. This  
23 subsection shall not be applicable to a person who becomes a  
24 member of these systems or funds on or after the effective date of  
25 P.L.2010, c.1, except that such person shall not include a person  
26 who at the time of enrollment in the retirement system or fund on or  
27 after that effective date transfers service credit, as permitted, from  
28 another State-administered retirement system or fund of which the  
29 person was a member immediately prior to the effective date and  
30 continuously thereafter, but shall include a former member of the  
31 retirement system or fund who has been granted a retirement  
32 allowance and is reenrolled in the retirement system or fund on or  
33 after that effective date after becoming employed again in a position  
34 that makes the person eligible to be a member of the retirement  
35 system.

36 c. (1) The State and all other applicable employers shall make  
37 [an] their annual normal contribution [and an] to each system or  
38 fund as determined by the applicable board of trustees in  
39 consultation with the system's or fund's actuary. The State and all  
40 other applicable employers shall also make their annual unfunded  
41 accrued liability contribution to each system or fund as determined  
42 by the applicable board in consultation with the system's or fund's  
43 actuary, pursuant to standard actuarial practices authorized by law,  
44 unless **[both of the following conditions are met]:** (1) there is no  
45 existing unfunded accrued liability contribution due to the system  
46 or fund at the close of the valuation period applicable to the  
47 upcoming fiscal year; **[and] or** (2) there are excess valuation assets  
48 in excess of the actuarial accrued liability of the system or fund at

Chapter 78, P.L. 2011

1 the close of the valuation period applicable to the upcoming fiscal  
2 year. The annual normal contribution plus the annual unfunded  
3 accrued liability contribution shall together be the annual required  
4 contribution, provided, however, that for the State, section 38 of  
5 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's  
6 annual required contribution. The amount of the State's annually  
7 required contributions shall be included in all annual appropriations  
8 acts as a dedicated line item.

9 (2) Each member of the Teachers' Pension and Annuity Fund,  
10 the Judicial Retirement System, the Prison Officers' Pension Fund,  
11 the Public Employees' Retirement System, the Consolidated Police  
12 and Firemen's Pension Fund, the Police and Firemen's Retirement  
13 System, and the State Police Retirement System shall have a  
14 contractual right to the annual required contribution amount being  
15 made by the member's employer or by any other public entity. The  
16 contractual right to the annual required contribution means that the  
17 employer or other public entity shall make the annual required  
18 contribution on a timely basis to help ensure that the retirement  
19 system is securely funded and that the retirement benefits to which  
20 the members are entitled by statute and in consideration for their  
21 public service and in compensation for their work will be paid upon  
22 retirement. The failure of the State or any other public employer to  
23 make the annually required contribution shall be deemed to be an  
24 impairment of the contractual right of each employee. The Superior  
25 Court, Law Division shall have jurisdiction over any action brought  
26 by a member of any system or fund or any board of trustees to  
27 enforce the contractual right set forth in this subsection. The State  
28 and other public employers shall submit to the jurisdiction of the  
29 Superior Court, Law Division and shall not assert sovereign  
30 immunity in such an action. If a member or board prevails in  
31 litigation to enforce the contractual right set forth in this subsection,  
32 the court may award that party their reasonable attorney's fees.

33 d. This act shall not be construed to preclude forfeiture,  
34 suspension or reduction in benefits for dishonorable service.

35 e. Except as expressly provided herein and only to the extent  
36 so expressly provided, nothing in this act shall be deemed to (1)  
37 limit the right of the State to alter, modify or amend such retirement  
38 systems and funds, or (2) create in any member a right in the corpus  
39 or management of a retirement system or pension fund. The rights  
40 reserved to the State in this subsection shall not diminish the  
41 contractual rights of employees established by subsections a., b.,  
42 and c. of this section.

43 (cf: P.L.2010, c.1, s.29)

44  
45 27. (New section) For the purpose of the Teachers' Pension and  
46 Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq., the  
47 Judicial Retirement System, established pursuant to P.L.1973, c.140  
48 (C.43:6A-1 et seq.), the Public Employees' Retirement System,

## Chapter 78, P.L. 2011

59

1 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the  
2 Police and Firemen's Retirement System, established pursuant to  
3 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police  
4 Retirement System, established pursuant to P.L.1965, c.89  
5 (C.53:5A-1 et seq.), "target funded ratio" means a ratio of the  
6 actuarial value of assets to the actuarially determined accrued  
7 liabilities expressed as a percentage that shall be for the State part  
8 of each system, and the local part of each system, if any, 75 percent  
9 in State fiscal year 2012, and increased in each fiscal year thereafter  
10 by equal increments for seven years, until the ratio reaches 80  
11 percent at which it shall remain for all subsequent fiscal years.

12  
13 28. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to  
14 read as follows:

15 5. a. There is hereby established in the Division of Investment  
16 a State Investment Council which shall consist of ~~[13]~~ 16 members.

17 (1) Each of the following agencies, namely, the Board of  
18 Trustees of the Public Employees' Retirement System, ~~[the Board of~~  
19 ~~Trustees of the State Police Retirement System,]~~ the Board of  
20 Trustees of the Teachers' Pension and Annuity Fund, and the Board  
21 of Trustees of the Police and Firemen's Retirement System of New  
22 Jersey, shall ~~[elect]~~ designate one ~~[of the active members of its~~  
23 ~~retirement system, or one of the retirees of its retirement system~~  
24 ~~who is receiving a retirement allowance]~~ board member elected to  
25 serve on the board, to serve as a member of the State Investment  
26 Council herein established. The ~~[four]~~ three members of the council  
27 so ~~[elected]~~ designated shall serve as such for a period of three  
28 years from the date of their ~~[election]~~ designation and until their  
29 respective successors are in like manner ~~[elected]~~ designated.

30 (2) ~~[Six]~~ Eight of the members of the State Investment Council  
31 shall be appointed by the Governor, with the advice and consent of  
32 the Senate, for a term of five years and shall serve until the  
33 member's successor is appointed and has qualified. Of the initial  
34 members appointed following the effective date of P.L. , c.  
35 (pending before the Legislature as this bill), one shall serve for an  
36 initial period of three years, and one shall serve for an initial period  
37 of two years.

38 (3) One member of the State Investment Council shall be  
39 appointed by the Governor from among three persons nominated  
40 jointly by the President of the Senate and the Speaker of the  
41 General Assembly and shall serve for a term of five years and until  
42 the member's successor is appointed and has qualified.

43 (4) ~~[One member]~~ Two members of the State Investment  
44 Council shall be appointed by the Governor from among ~~[three]~~ six  
45 persons nominated by the Public Employee Committee of the New  
46 Jersey State AFL-CIO and shall serve for a term of ~~[three]~~ five  
47 years and until the member's successor is appointed and has  
48 qualified. At least one of the two members appointed shall be a

Chapter 78, P.L. 2011

1 member of a union representing police officers or firefighters. If the  
2 persons nominated are not acceptable to the Governor for  
3 appointment, the Governor may request submission of new  
4 nominees.

5 (5) One member of the State Investment Council shall be  
6 appointed by the Governor from among three persons nominated by  
7 the New Jersey Education Association and shall serve for a term of  
8 three years and until the member's successor is appointed and has  
9 qualified. If the persons nominated are not acceptable to the  
10 Governor for appointment, the Governor may request submission of  
11 new nominees.

12 (6) One member of the State Investment Council shall be  
13 appointed by the Governor from among three persons nominated by  
14 the State Troopers Fraternal Association and shall serve for a term  
15 of three years and until the member's successor is appointed and has  
16 qualified. If the persons nominated are not acceptable to the  
17 Governor for appointment, the Governor may request submission of  
18 new nominees.

19 The ~~two~~ four members appointed pursuant to paragraphs (4)  
20 ~~and~~, (5) and (6) of this subsection by the Governor to the council  
21 shall be qualified by training, experience or long-term interest in the  
22 direct management, analysis, supervision or investment of assets,  
23 and this training, experience or long-term interest shall have been  
24 supplemented by academic training in the fields of economics,  
25 business, law, finance or actuarial science or by actual employment  
26 in those fields.

27 At least ~~five~~ seven of the ~~seven~~ nine members appointed  
28 pursuant to paragraphs (2) and (3) of this subsection by the  
29 Governor to the council shall be qualified by training and  
30 experience in the direct management, analysis, supervision or  
31 investment of assets, which training and experience shall have been  
32 acquired through academic training or through actual employment  
33 in those fields.

34 b. No member of the State Investment Council shall hold any  
35 office, position or employment in any political party nor shall any  
36 such member benefit directly or indirectly from any transaction  
37 made by the Director of the Division of Investment provided for  
38 herein.

39 The members of the council shall elect annually from their  
40 number a chairman of such council. Any member of the council so  
41 elected shall serve as such chairman for a term of one year and until  
42 a successor is, in like manner, elected. The chairman of the council  
43 shall be its presiding officer.

44 The members of the council shall serve without compensation  
45 but shall be reimbursed for necessary expenses incurred in the  
46 performance of their duties as approved by the chairman of the  
47 council. The members of the council shall be required to file the  
48 same annual financial disclosure statements as those required to be

Chapter 78, P.L. 2011

1 filed by members of other State boards and commissions who are  
2 not compensated for their services, as such statements shall be  
3 required by law or executive order of the Governor. The financial  
4 disclosure statements of council members shall be made available to  
5 the public in the same manner as the statements of members of  
6 other State boards and commissions are made available to the  
7 public.

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

16 c. The terms of the members of the council serving pursuant to  
17 paragraph (1) of subsection a. of this section and serving on the  
18 effective date [specified for this section of P.L.2007, c.103, other  
19 than the five members appointed by the Governor with the advice  
20 and consent of the Senate to serve for terms of five years and the  
21 one member appointed by the Governor from persons nominated  
22 jointly by the President of the Senate and the Speaker of the  
23 General Assembly to serve for a term of five years,] of P.L. \_\_,  
24 c. (pending before the Legislature as this bill) are terminated as of  
25 that effective date. A member terminated pursuant to this subsection  
26 shall be eligible for reappointment.

27 (cf: P.L.2007, c.103, s.50)

28

29 29. N.J.S.18A:66-61 is amended to read as follows:

30 18A:66-61. The board of trustees shall be and are hereby  
31 constituted trustees of the various funds and accounts established by  
32 this article; provided, however, that all functions, powers and  
33 duties relating to the investment or reinvestment of moneys of, and  
34 purchase, sale or exchange of any investments or securities, of or  
35 for any fund or account established under this article, shall be  
36 exercised and performed by the Director of the Division of  
37 Investment in accordance with the provisions of chapter 270, of the  
38 laws of 1950. The secretary of the board of trustees shall  
39 determine from time to time the cash requirements of the various  
40 funds and accounts established by this article and the amount  
41 available for investment, all of which shall be certified to the  
42 Director of the Division of Investment.

43 [A] An elected member of the board of trustees to be designated  
44 by a majority vote thereof shall serve on the state investment  
45 council as a representative of said board of trustees, for a term of [1  
46 year] three years and until [his] a successor is [elected] designated  
47 and qualified.

## Chapter 78, P.L. 2011

62

1       The finance committee of the board of trustees shall be appointed  
2 on or before July 1 of each calendar year by the chairman of the  
3 board of trustees to serve through June 30 of the ensuing calendar  
4 year and until their successors are appointed. The finance  
5 committee of the board of trustees shall consist of three members  
6 of the board of trustees, one of whom shall be the State Treasurer.  
7 (cf: P.L.1970, c.57, s.8)

8  
9       30. Section 32 of P.L.1954, c.84 (C.43:15A-32) is amended to  
10 read as follows:

11       32. The board of trustees shall be and are hereby constituted  
12 trustees of the various funds and accounts established by this act;  
13 provided, however, that all functions, powers, and duties relating to  
14 the investment or reinvestment of moneys of, and purchase, sale, or  
15 exchange of any investments or securities, of or for any fund or  
16 account established under this act, shall be exercised and  
17 performed by the Director of the Division of Investment in  
18 accordance with the provisions of chapter 270, P.L.1950, as  
19 amended and supplemented. The secretary of the board of trustees  
20 shall determine from time to time the cash requirements of the  
21 various funds and accounts established by this act and the amount  
22 available for investment, all of which shall be certified to the  
23 Director of the Division of Investment.

24       The members of the finance committee of the board of trustees  
25 shall be appointed at or after July 1 of each calendar year by the  
26 chairman of the board of trustees to serve through June 30 of the  
27 ensuing calendar year and until their successors are appointed. The  
28 finance committee of the board of trustees shall consist of five  
29 members of the board of trustees, one of whom shall be the State  
30 Treasurer, and one of whom shall be the member designated to  
31 serve on the State Investment Council. At least three members of  
32 the finance committee shall be members of the board of trustees  
33 who have been elected by members of the system. A quorum of  
34 the finance committee shall consist of three members thereof.

35       [A] An elected member of the board of trustees to be designated  
36 by a majority vote thereof shall serve on the State Investment  
37 Council as a representative of said board of trustees, for a term of  
38 [1 year] three years and until [his] a successor is [elected]  
39 designated and qualified.

40 (cf: P.L.1970, c.57, s.3)

41

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

44       14. (1) The board of trustees shall be and are hereby constituted  
45 trustees of the various funds and accounts established by this act;  
46 provided, however, that all functions, powers and duties relating to  
47 the investment or reinvestment of moneys of, and purchase, sale or  
48 exchange of any investments or securities, of or for any fund or

Chapter 78, P.L. 2011

1 account established under this act shall be exercised and performed  
2 by the director of the Division of Investment in accordance with the  
3 provisions of chapter 270, of the laws of 1950. The secretary of the  
4 board of trustees shall determine from time to time the cash  
5 requirements of the various funds and accounts established by this  
6 act and the amount available for investment, all of which shall be  
7 certified to the Director of the Division of Investment.

8 [A] An elected member of the board of trustees to be designated  
9 by a majority vote thereof shall serve on the State Investment  
10 Council as a representative of said board of trustees, for a term of  
11 [1 year] three years and until [his] a successor is [elected]  
12 designated and qualified.

13 (2) The Treasurer of the State of New Jersey shall be the  
14 custodian of the several funds created by this act, shall select all  
15 depositories and custodians and shall negotiate and execute custody  
16 agreements in connection with the assets or investments of any of  
17 said funds. All payments from said funds shall be made by him  
18 only upon vouchers signed by the chairman and countersigned by  
19 the secretary of the board of trustees. No voucher shall be drawn,  
20 except upon the authority of the board duly entered in the records  
21 of its proceedings.

22 (3) (Deleted by amendment.)

23 (4) Except as otherwise herein provided, no trustee and no  
24 employee of the board of trustees shall have any direct interest in  
25 the gains or profits of any investments of the retirement system;  
26 nor shall any trustee or employee of the board directly or  
27 indirectly, for himself or as an agent in any manner use the moneys  
28 of the retirement system, except to make such current and necessary  
29 payments as are authorized by the board of trustees; nor shall any  
30 trustee or employee of the board of trustees become an endorser or  
31 surety, or in any manner an obligor for moneys loaned to or  
32 borrowed from the retirement system.

33 (cf: P.L.1970, c.57, s.11)

34  
35 32. Section 31 of P.L.1965, c.89 (C.53:5A-31) is amended to  
36 read as follows:

37 31. a. The board of trustees shall be and are hereby constituted  
38 trustees of all the various funds established by this act except the  
39 group insurance premium fund; provided, however, that all  
40 functions, powers, and duties relating to the investment or  
41 reinvestment of moneys of, and purchase, sale, or exchange of any  
42 investments or securities, of or for any fund established under this  
43 act, shall be exercised and performed by the Director of the  
44 Division of Investment in accordance with the provisions of c. 270,  
45 P.L.1950, as amended and supplemented.

46 b. The secretary of the board shall determine from time to time  
47 the cash requirements of the various funds established by this act

Chapter 78, P.L. 2011

64

1 and the amount available for investment, all of which shall be  
2 certified to the Director of the Division of Investment.

3 c. [A member of the board of trustees to be designated by a  
4 majority vote thereof shall serve on the State Investment Council as  
5 a representative of said board of trustees, for a term of 1 year and  
6 until his successor is elected and qualified] Deleted by amendment,  
7 P.L. , c. (pending before the Legislature as this bill).

8 d. The Treasurer of the State of New Jersey shall be the  
9 custodian of the several funds. All payments from said funds shall  
10 be made by him only upon vouchers signed by the secretary and the  
11 chairman of the board of trustees. A duly attested copy of the  
12 resolution of the board of trustees designating the chairman and  
13 bearing on its face specimen signatures of the chairman and the  
14 secretary shall be filed with the treasurer as his authority for making  
15 payments upon such vouchers.

16 e. The administration of the program shall be performed by the  
17 personnel of the Division of Pensions of the State Department of  
18 the Treasury and the costs of administration shall be borne by the  
19 State.

20 (cf: P.L.1971, c.181, s.21)

21

22 33. (New section) Whenever a committee of the Public  
23 Employees' Retirement System, the Teachers' Pension and Annuity  
24 Fund, the Police and Firemen's Retirement System, or the State  
25 Police Retirement System fails to render a decision on a matter  
26 before the committee because it has not received a vote of the  
27 majority of the committee members after 60 days have passed  
28 following the initial consideration of the matter, the committee shall  
29 utilize a super conciliator, randomly selected from a list developed  
30 by the New Jersey Public Employment Relations Commission. The  
31 super conciliator shall assist the committee based upon procedures  
32 and subject to qualifications established by the commission  
33 pursuant to regulation.

34 The super conciliator shall promptly schedule investigatory  
35 proceedings. The purpose of the proceedings shall be to:

36 Investigate and acquire all relevant information regarding the  
37 committee's failure to render a decision;

38 Discuss with the members of the committee their differences,  
39 and utilize means and mechanisms, including but not limited to  
40 requiring 24-hour per day negotiations, until a voluntary settlement  
41 is reached, and provide recommendations to resolve the members'  
42 differences; and

43 Institute any other non-binding procedures deemed appropriate  
44 by the super conciliator.

45 If the actions taken by the super conciliator fail to resolve the  
46 dispute, the super conciliator shall issue a final report, which shall  
47 be provided to the committee promptly and made available to the  
48 public within 10 days thereafter.

Chapter 78, P.L. 2011

1 The super conciliator, while functioning in a mediatory capacity,  
2 shall not be required to disclose any files, records, reports,  
3 documents, or other papers classified as confidential which are  
4 received or prepared by him or to testify with regard to mediation  
5 conducted by him under this section. Nothing contained herein  
6 shall exempt an individual from disclosing information relating to  
7 the commission of a crime.

8  
9 34. Section 27 of P.L.1966, c.217 (C.43:15A-57.2) is amended  
10 to read as follows:

11 27. a. Except as provided in subsections b. [and], c., and d. of  
12 this section, if a former member of the State Employees' Retirement  
13 System or the retirement system, who has been granted a retirement  
14 allowance for any cause other than disability, becomes employed  
15 again in a position which makes him eligible to be a member of the  
16 retirement system, his retirement allowance and the right to any  
17 death benefit as a result of his former membership, shall be  
18 canceled until he again retires.

19 Such person shall be re-enrolled in the retirement system and  
20 shall contribute thereto at a rate based on his age at the time of re-  
21 enrollment. Such person shall be treated as an active member for  
22 determining disability or death benefits while in service and no  
23 benefits pursuant to an optional selection with respect to his former  
24 membership shall be paid if his death shall occur during the period  
25 of such re-enrollment.

26 Upon subsequent retirement of such member, his former  
27 retirement allowance shall be reinstated together with any optional  
28 selection, based on his former membership. In addition, he shall  
29 receive an additional retirement allowance based on his subsequent  
30 service as a member computed in accordance with applicable  
31 provisions of chapter 84 of the laws of 1954; provided, however,  
32 that his total retirement allowance upon such subsequent retirement  
33 shall not be a greater proportion of his final compensation than the  
34 proportion to which he would have been entitled had he remained in  
35 service during the period of his prior retirement. Any death benefit  
36 to which such member shall be eligible shall be based on his latest  
37 retirement, but shall not be less than the death benefit that was  
38 applicable to his former retirement.

39 b. The cancellation, re-enrollment, and additional retirement  
40 allowance provisions of subsection a. of this section shall not apply  
41 to a former member of the retirement system who, after having been  
42 granted a retirement allowance, becomes employed again by: (1) an  
43 employer or employers in a position or positions for which the  
44 aggregate compensation does not exceed \$15,000 per year; or (2) if  
45 the compensation exceeds \$10,000 per year, by an employer that is  
46 a public institution of higher education as defined in N.J.S.18A:62-  
47 1 in a teaching staff position. The Director of the Division of  
48 Pensions and Benefits may from time to time adjust the amount in

Chapter 78, P.L. 2011

1 paragraph (1) of this subsection. This adjustment shall be  $\frac{3}{5}$  of the  
2 percentage of change in the index, as defined in section 1 of  
3 P.L.1958, c.143 (C.43:3B-1), over a period of time as determined  
4 by the director.

5 c. The cancellation, reenrollment, and additional retirement  
6 allowance provisions of subsection a. and the compensation  
7 limitations of subsection b. of this section shall not apply to a  
8 former member of the retirement system who, after having been  
9 granted a retirement allowance, becomes employed by the State  
10 Department of Education in a position of critical need as  
11 determined by the State Commissioner of Education, or becomes  
12 employed by a board of education in a position of critical need as  
13 determined by the superintendent of the district on a contractual  
14 basis for a term of not more than one year; except that the  
15 cancellation, reenrollment, and additional retirement allowance  
16 provisions and the compensation limitations shall apply if the  
17 former member becomes employed within 120 days of retirement in  
18 a position with the employer from which the member retired.  
19 Nothing herein shall preclude a former member so reemployed by a  
20 board of education from renewing a contract for one additional  
21 year, provided that the total period of employment with any  
22 individual board of education does not exceed a two-year period.

23 d. The cancellation, reenrollment, and additional retirement  
24 allowance provisions of subsections a., b., and c. of this section  
25 shall not apply to a former member of the retirement system who  
26 was granted a retirement allowance pursuant to section 1 of  
27 P.L.1985, c.414 (C.43:15A-47.2) prior to the effective date of  
28 P.L. , c. (pending before the Legislature as this bill).

29 (cf: P.L.2001, c.355, s.2)

30

31 35. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended  
32 to read as follows:

33 20. **[If]** a. Except as provided in subsection b. of this section, if  
34 former member of the retirement system who has been granted a  
35 retirement allowance for any cause other than disability, becomes  
36 employed again in a position which makes him eligible to be a  
37 member of the retirement system, his retirement allowance and the  
38 right to any death benefit as a result of his former membership,  
39 shall be canceled until he again retires.

40 Such person shall be reenrolled in the retirement system and  
41 shall contribute thereto at a rate based on his age at the time of  
42 reenrollment. Such person shall be treated as an active member for  
43 determining disability or death benefits while in service. Upon  
44 subsequent retirement of such member, his former retirement  
45 allowance shall be reinstated based on his former membership. In  
46 addition, he shall receive an additional retirement allowance based  
47 on his subsequent service as a member computed in accordance  
48 with applicable provisions of this chapter; provided, however, that

Chapter 78, P.L. 2011

1 his total retirement allowance upon such subsequent retirement  
2 shall not be a greater proportion of his average final compensation  
3 or final compensation, whichever is applicable, than the proportion  
4 to which he would have been entitled had he remained in service  
5 during the period of his prior retirement. Any death benefit to  
6 which such member shall be eligible shall be based on his latest  
7 retirement, but shall not be less than the death benefit that was  
8 applicable to his former retirement.

9 b. The cancellation, reenrollment, and additional retirement  
10 allowance provisions of subsection a. of this section shall not apply  
11 to a former member of the retirement system who was granted a  
12 retirement allowance pursuant to section 1 of P.L.1999, c.96  
13 (C.43:16A-5.1) prior to the effective date of P.L. , c. (pending  
14 before the Legislature as this bill).

15 (cf: P.L.1999, c.428, s.8)

16

17 36. Section 34 of P.L.2007, c.103 (C.52:14-17.46.4) is amended  
18 to read as follows:

19 34. The School Employees' Health Benefits Program, authorized  
20 by sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1  
21 through C.52:14-17.46.11), shall be administered in the Department  
22 of the Treasury. Administrative services required by the  
23 commission shall be provided through the Division of Pensions and  
24 Benefits, and the Director of the Division of Pensions and Benefits  
25 shall be the secretary of the commission. The commission and the  
26 committee shall establish a health benefits program for the school  
27 employees of the State, the cost of which shall be paid as specified  
28 in this act. The commission shall, by a majority vote of its full  
29 authorized membership, establish and change rules and regulations  
30 as may be deemed reasonable and necessary for the administration  
31 of this act by the commission and committee. Until such rules and  
32 regulations are established, the rules and regulations of the State  
33 Health Benefits Commission shall be deemed to apply to the School  
34 Employees' Health Benefits Program.

35 The Attorney General shall be the legal advisor of the  
36 commission and committee.

37 The members of the commission and committee shall serve  
38 without compensation but shall be reimbursed for any necessary  
39 expenditure.

40 The commission shall ensure that audits and reviews are  
41 performed as required by section 40 of P.L.2007, c.103 (C.52:14-  
42 17.46.10). Actions of the commission related to such audits and  
43 reviews shall require a majority vote of the full authorized  
44 membership of the commission to be approved.

45 Except as otherwise specified in this act, actions of the  
46 commission shall require the affirmative vote of a majority of the  
47 members present at a meeting at which a majority of the full  
48 authorized membership is present.

Chapter 78, P.L. 2011

1 (cf: P.L.2007, c.103, s.34)

2

3 37. N.J.S.18A:66-43 is amended to read as follows:

4 18A:66-43. Retirement for service shall be as follows: (a) A  
5 person who was a member before the effective date of P.L.2008,  
6 c.89 and has attained 60 years of age may retire on a service  
7 retirement allowance by filing with the retirement system a written  
8 application, duly attested, stating at which time subsequent to the  
9 execution and filing thereof he desires to be retired. The board of  
10 trustees shall retire him at the time specified or at such other time  
11 within 1 month after the date so specified as the board finds  
12 advisable.

13 (b) A person who becomes a member on or after the effective  
14 date of P.L.2008, c.89 and has attained 62 years of age may retire  
15 on a service retirement allowance by filing with the retirement  
16 system a written application, duly attested, stating at which time  
17 subsequent to the execution and filing thereof the member desires to  
18 be retired. The board of trustees shall retire the member at the time  
19 specified or at such other time within 1 month after the date so  
20 specified as the board finds advisable.

21 (c) A person who becomes a member on or after the effective  
22 date of P.L. , c. (pending before the Legislature as this bill) and  
23 has attained 65 years of age may retire on a service retirement  
24 allowance by filing with the retirement system a written application,  
25 duly attested, stating at which time subsequent to the execution and  
26 filing thereof the member desires to be retired. The board of trustees  
27 shall retire the member at the time specified or at such other time  
28 within 1 month after the date so specified as the board finds  
29 advisable.

30 (cf: P.L.2008. c.89, s.21)

31

32 38. Section 47 of P.L.1954, c.84 (C.43:15A-47) is amended to  
33 read as follows:

34 47. a. A person who was a member before the effective date of  
35 P.L.2008, c.89 and has attained 60 years of age may retire on a  
36 service retirement allowance by filing with the retirement system a  
37 written application, duly attested, stating at which time subsequent  
38 to the execution and filing thereof the member desires to be retired.  
39 The board of trustees shall retire him at the time specified or at such  
40 other time within one month after the date so specified as the board  
41 finds advisable.

42 b. A person who becomes a member on or after the effective  
43 date of P.L.2008, c.89 and has attained 62 years of age may retire  
44 on a service retirement allowance by filing with the retirement  
45 system a written application, duly attested, stating at which time  
46 subsequent to the execution and filing thereof the member desires to  
47 be retired. The board of trustees shall retire the member at the time

Chapter 78, P.L. 2011

1 specified or at such other time within one month after the date so  
2 specified as the board finds advisable.

3 c. A person who becomes a member on or after the effective  
4 date of P.L. , c. (pending before the Legislature as this bill)  
5 and has attained 65 years of age may retire on a service retirement  
6 allowance by filing with the retirement system a written application,  
7 duly attested, stating at which time subsequent to the execution and  
8 filing thereof the member desires to be retired. The board of  
9 trustees shall retire the member at the time specified or at such  
10 other time within one month after the date so specified as the board  
11 finds advisable.

12 (cf: P.L.2008, c.89, s.24)

13

14 39. (New section) a. The amount of contribution to be paid  
15 pursuant to the provisions of sections 40, 41, and 42 of P.L. ,  
16 c. (C. ) (pending before the Legislature as this bill) by public  
17 employees of the State or of employers other than the State for  
18 health care benefits coverage for the employee and any dependent  
19 shall be as follows:

20

- 21 for family coverage or its equivalent -
- 22 an employee who earns less than \$25,000 shall pay 3 percent of
- 23 the cost of coverage;
- 24 an employee who earns \$25,000 or more but less than \$30,000
- 25 shall pay 4 percent of the cost of coverage;
- 26 an employee who earns \$30,000 or more but less than \$35,000
- 27 shall pay 5 percent of the cost of coverage;
- 28 an employee who earns \$35,000 or more but less than \$40,000
- 29 shall pay 6 percent of the cost of coverage;
- 30 an employee who earns \$40,000 or more but less than \$45,000
- 31 shall pay 7 percent of the cost of coverage;
- 32 an employee who earns \$45,000 or more but less than \$50,000
- 33 shall pay 9 percent of the cost of coverage;
- 34 an employee who earns \$50,000 or more but less than \$55,000
- 35 shall pay 12 percent of the cost of coverage;
- 36 an employee who earns \$55,000 or more but less than \$60,000
- 37 shall pay 14 percent of the cost of coverage;
- 38 an employee who earns \$60,000 or more but less than \$65,000
- 39 shall pay 17 percent of the cost of coverage;
- 40 an employee who earns \$65,000 or more but less than \$70,000
- 41 shall pay 19 percent of the cost of coverage;
- 42 an employee who earns \$70,000 or more but less than \$75,000
- 43 shall pay 22 percent of the cost of coverage;
- 44 an employee who earns \$75,000 or more but less than \$80,000
- 45 shall pay 23 percent of the cost of coverage;
- 46 an employee who earns \$80,000 or more but less than \$85,000
- 47 shall pay 24 percent of the cost of coverage;

**Chapter 78, P.L. 2011**

1       an employee who earns \$85,000 or more but less than \$90,000  
2 shall pay 26 percent of the cost of coverage;  
3       an employee who earns \$90,000 or more but less than \$95,000  
4 shall pay 28 percent of the cost of coverage;  
5       an employee who earns \$95,000 or more or but less than  
6 \$100,000 shall pay 29 percent of the cost of coverage;  
7       an employee who earns \$100,000 or more or but less than  
8 \$110,000 shall pay 32 percent of the cost of coverage;  
9       an employee who earns \$110,000 or more shall pay 35 percent of  
10 the cost of coverage

11

12       for individual coverage or its equivalent -  
13       an employee who earns less than \$20,000 shall pay 4.5 percent  
14 of the cost of coverage;  
15       an employee who earns \$20,000 or more but less than \$25,000  
16 shall pay 5.5 percent of the cost of coverage;  
17       an employee who earns \$25,000 or more but less than \$30,000  
18 shall pay 7.5 percent of the cost of coverage;  
19       an employee who earns \$30,000 or more but less than \$35,000  
20 shall pay 10 percent of the cost of coverage;  
21       an employee who earns \$35,000 or more but less than \$40,000  
22 shall pay 11 percent of the cost of coverage;  
23       an employee who earns \$40,000 or more but less than \$45,000  
24 shall pay 12 percent of the cost of coverage;  
25       an employee who earns \$45,000 or more but less than \$50,000  
26 shall pay 14 percent of the cost of coverage;  
27       an employee who earns \$50,000 or more but less than \$55,000  
28 shall pay 20 percent of the cost of coverage;  
29       an employee who earns \$55,000 or more but less than \$60,000  
30 shall pay 23 percent of the cost of coverage;  
31       an employee who earns \$60,000 or more but less than \$65,000  
32 shall pay 27 percent of the cost of coverage;  
33       an employee who earns \$65,000 or more but less than \$70,000  
34 shall pay 29 percent of the cost of coverage;  
35       an employee who earns \$70,000 or more but less than \$75,000  
36 shall pay 32 percent of the cost of coverage;  
37       an employee who earns \$75,000 or more but less than \$80,000  
38 shall pay 33 percent of the cost of coverage;  
39       an employee who earns \$80,000 or more but less than \$95,000  
40 shall pay 34 percent of the cost of coverage;  
41       an employee who earns \$95,000 or more shall pay 35 percent of  
42 the cost of coverage;

43

44       for member with child or spouse coverage or its equivalent -  
45       an employee who earns less than \$25,000 shall pay 3.5 percent  
46 of the cost of coverage;  
47       an employee who earns \$25,000 or more but less than \$30,000  
48 shall pay 4.5 percent of the cost of coverage;

**Chapter 78, P.L. 2011**

1       an employee who earns \$30,000 or more but less than \$35,000  
2 shall pay 6 percent of the cost of coverage;  
3       an employee who earns \$35,000 or more but less than \$40,000  
4 shall pay 7 percent of the cost of coverage;  
5       an employee who earns \$40,000 or more but less than \$45,000  
6 shall pay 8 percent of the cost of coverage;  
7       an employee who earns \$45,000 or more but less than \$50,000  
8 shall pay 10 percent of the cost of coverage;  
9       an employee who earns \$50,000 or more but less than \$55,000  
10 shall pay 15 percent of the cost of coverage;  
11       an employee who earns \$55,000 or more but less than \$60,000  
12 shall pay 17 percent of the cost of coverage;  
13       an employee who earns \$60,000 or more but less than \$65,000  
14 shall pay 21 percent of the cost of coverage;  
15       an employee who earns \$65,000 or more but less than \$70,000  
16 shall pay 23 percent of the cost of coverage;  
17       an employee who earns \$70,000 or more but less than \$75,000  
18 shall pay 26 percent of the cost of coverage;  
19       an employee who earns \$75,000 or more but less than \$80,000  
20 shall pay 27 percent of the cost of coverage;  
21       an employee who earns \$80,000 or more but less than \$85,000  
22 shall pay 28 percent of the cost of coverage;  
23       an employee who earns \$85,000 or more but less than \$100,000  
24 shall pay 30 percent of the cost of coverage.  
25       an employee who earns \$100,000 or more shall pay 35 percent of  
26 the cost of coverage.

27  
28       Base salary shall be used to determine what an employee earns  
29 for the purposes of this provision.

30       As used in this section, “cost of coverage” means the premium or  
31 periodic charges for medical and prescription drug plan coverage,  
32 but not for dental, vision, or other health care, provided under the  
33 State Health Benefits Program or the School Employees’ Health  
34 Benefits Program; or the premium or periodic charges for health  
35 care, prescription drug, dental, and vision benefits, and for any  
36 other health care benefit, provided pursuant to P.L.1979, c.391  
37 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by  
38 a local board of education, local unit or agency thereof, and  
39 including a county college, an independent State authority as  
40 defined in section 43 of P.L. , c. (C. ) (pending before the  
41 Legislature as this bill), and a local authority as defined in section  
42 44 of P.L. , c. (C. ) (pending before the Legislature as this  
43 bill), when the employer is not a participant in the State Health  
44 Benefits Program or the School Employees’ Health Benefits  
45 Program.

46  
47       40. (New section) a. Notwithstanding the provisions of any other  
48 law to the contrary, public employees of the State and employers

Chapter 78, P.L. 2011

1 other than the State shall contribute, through the withholding of the  
2 contribution from the pay, salary, or other compensation, toward the  
3 cost of health care benefits coverage for the employee and any  
4 dependent provided under the State Health Benefits Program or the  
5 School Employees' Health Benefits Program in an amount that shall  
6 be determined in accordance with section 39 of P.L. , c. (C. )  
7 (pending before the Legislature as this bill), except that, an  
8 employee employed on the date on which the contribution  
9 commences, as specified in subsection c. of this section, shall pay:

10 during the first year in which the contribution is effective, one-  
11 fourth of the amount of contribution;

12 during the second year in which the contribution is effective,  
13 one-half of the amount of contribution; and

14 during the third year in which the contribution is effective, three-  
15 fourths of the amount of contribution,

16 as that amount is calculated in accordance with section 39 of  
17 P.L. , c. (C. ) (pending before the Legislature as this bill).

18 The amount payable by any employee under this subsection shall  
19 not under any circumstance be less than the 1.5 percent of base  
20 salary that is provided for in subsection c. of section 6 of P.L.1996,  
21 c.8 (C.52:14-17.28b), subsection a. of section 7 of P.L.1964, c.125  
22 (C.52:14-17.38), or subsection b. of section 39 of P.L.2007, c.103  
23 (C.52:14-17.46.9). An employee who pays the contribution  
24 required under this subsection shall not also be required to pay the  
25 contribution of 1.5 percent of base salary under those subsections  
26 listed above.

27 This section shall apply to employees for whom the employer  
28 has assumed a health care benefits payment obligation, to require  
29 that such employees pay at a minimum the amount of contribution  
30 specified in this section for health care benefits coverage.

31 b. (1) Notwithstanding the provisions of any other law to the  
32 contrary, public employees of the State and employers other than  
33 the State, as those employees are specified in paragraph (2) of this  
34 subsection, shall contribute, through the withholding of the  
35 contribution from the monthly retirement allowance, toward the  
36 cost of health care benefits coverage for the employee in retirement  
37 and any dependent provided under the State Health Benefits  
38 Program or the School Employees' Health Benefits Program in an  
39 amount that shall be determined in accordance with section 39 of  
40 P.L. , c. (C. ) (pending before the Legislature as this bill) by  
41 using the percentage applicable to the range within which the  
42 annual retirement allowance, and any future cost of living  
43 adjustments thereto, falls. The retirement allowance, and any future  
44 cost of living adjustments thereto, shall be used to identify the  
45 percentage of the cost of coverage.

46 (2) The contribution specified in paragraph (1) of this subsection  
47 shall apply to:

## Chapter 78, P.L. 2011

73

1 (a) State employees and employees of an independent State  
2 authority, board, commission, corporation, agency, or organization  
3 for whom there is a majority representative for collective  
4 negotiations purposes who accrue 25 years of nonconcurrent service  
5 credit in one or more State or locally-administered retirement  
6 systems on or after the effective date of P.L. , c. (pending before  
7 the Legislature as this bill), or on or after the expiration of an  
8 applicable binding collective negotiations agreement in force on  
9 that effective date, and who retire on or after that effective date or  
10 expiration date, excepting employees who elect deferred retirement;

11 (b) State employees and employees of an independent State  
12 authority, board, commission, corporation, agency, or organization  
13 for whom there is no majority representative for collective  
14 negotiations purposes who accrue 25 years of nonconcurrent service  
15 credit in one or more State or locally-administered retirement  
16 systems on or after that effective date, or on or after the expiration  
17 of an applicable binding collective negotiations agreement in force  
18 on that effective date if the terms of that agreement concerning  
19 health care benefits coverage in retirement have been deemed  
20 applicable by the commission or the employer to those employees,  
21 and who retire on or after that effective date or expiration date,  
22 excepting employees who elect deferred retirement;

23 (c) employees covered by section 3 of P.L.1987, c.384 (C.52:14-  
24 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section  
25 1 of P.L.1995, c.357 (C.52:14-17.32f2) who accrue 25 years of  
26 service credit on or after that effective date and retire on or after  
27 that effective date, including employees who elect deferred  
28 retirement;

29 (d) employees of an employer other than the State for whom  
30 there is a majority representative for collective negotiations  
31 purposes who accrue the number of years of service credit, and age  
32 if required, as specified in subsection b. of section 7 of P.L.1964,  
33 c.125 (C.52:14-17.38), on or after that effective date, or on or after  
34 the expiration of an applicable binding collective negotiations  
35 agreement in force on that effective date, and who retire on or after  
36 that effective date or expiration date, excepting employees who  
37 elect deferred retirement, when the employer has assumed payment  
38 obligations for health care benefits in retirement for such an  
39 employee; and

40 (e) employees of an employer other than the State for whom  
41 there is no majority representative for collective negotiations  
42 purposes who accrue the number of years of service credit, and age  
43 if required, as specified in subsection b. of section 7 of P.L.1964,  
44 c.125 (C.52:14-17.38), on or after that effective date, or on or after  
45 the expiration of an applicable binding collective negotiations  
46 agreement in force on that effective date if the terms of that  
47 agreement concerning health care benefits payment obligations in  
48 retirement have been deemed applicable by the employer to those

## Chapter 78, P.L. 2011

74

1 employees, and who retire on or after that effective date or  
2 expiration date, excepting employees who elect deferred retirement,  
3 when the employer has assumed payment obligations for health care  
4 benefits in retirement for such an employee.

5 (3) Employees described in paragraph (2) of this subsection who  
6 have 20 or more years of creditable service in one or more State or  
7 locally-administered retirement systems on the effective date of  
8 P.L. , c. (pending before the Legislature of this bill) shall not be  
9 subject to the provisions of this subsection.

10 (4) The amount payable by a retiree under this subsection shall  
11 not under any circumstance be less than the 1.5 percent of the  
12 monthly retirement allowance, including any future cost of living  
13 adjustments thereto, that is provided for such a retiree, if applicable  
14 to that retiree, under subsection d. of section 6 of P.L.1996, c.8  
15 (C.52:14-17.28b), subsection b. of section 7 of P.L.1964, c.125  
16 (C.52:14-17.38), section 3 of P.L.1987, c.384 (C.52:14-17.32f),  
17 section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section 1 of  
18 P.L.1995, c.357 (C.52:14-17.32f2), or less than a comparable  
19 contribution with regard to the retirees who are members of the  
20 alternate benefit program. A retiree who pays the contribution  
21 required under this subsection shall not also be required to pay the  
22 contribution of 1.5 percent of the monthly retirement allowance  
23 under those sections or subsections listed above.

24 c. The contribution required under subsection a. of this section  
25 shall commence: (1) upon the effective date of P.L. , c. (pending  
26 before the Legislature as this bill) for employees who do not have a  
27 majority representative for collective negotiations purposes,  
28 notwithstanding that the terms of a collective negotiations  
29 agreement binding on the employer have been applied or have been  
30 deemed applicable to those employees by the commission or the  
31 employer, or have been used to modify the respective payment  
32 obligations of the employer and those employees in a manner  
33 consistent with those terms, as permitted by law, before that  
34 effective date; and (2) upon the expiration of any applicable binding  
35 collective negotiations agreement in force on that effective date for  
36 employees covered by that agreement with the contribution required  
37 for the first year under subsection a. of this section commencing in  
38 the first year after that expiration, or upon the effective date of  
39 P.L. , c. (pending before the Legislature as this bill) if such an  
40 agreement has expired before that effective date with the  
41 contribution required for the first year under subsection a. of this  
42 section commencing in the first year after that effective date.

43 Once those employees are subjected to the contribution  
44 requirements set forth in subsection a. of this section, the public  
45 employers and public employees shall be bound by this act, P.L. ,  
46 c. (C. ) (pending before the Legislature as this bill), to apply the  
47 contribution levels set forth in section 39 of this act until all  
48 affected employees are contributing the full amount of the

## Chapter 78, P.L. 2011

75

1 contribution, as determined by the implementation schedule set  
2 forth in subsection a. of this section. Notwithstanding the  
3 expiration date set forth in section 83 of this act, P.L. , c. (C. )  
4 (pending before the Legislature as this bill), or the expiration date  
5 of any successor agreements, the parties shall be bound to apply the  
6 requirements of this paragraph until they have reached the full  
7 implementation of the schedule set forth in subsection a. of this  
8 section.

9 The provisions of law permitting the determination of an amount  
10 of contribution at the discretion of the employer or by means of a  
11 binding collective negotiations agreement, and by means of the  
12 application of the terms of such an agreement to employees who do  
13 not have a majority representative for collective negotiations  
14 purposes, or the modification of the respective payment obligations  
15 of the employer and those employees in a manner consistent with  
16 the terms of such an agreement, shall remain in effect with regard to  
17 contributions, whether as a share of the cost, or percentage of the  
18 premium or periodic charge, or otherwise, in addition to the  
19 contributions required under subsections a. and b. of this section.

20 Paragraphs (5) and (6) of subsection c. of section 6 of P.L.1996,  
21 c.8 (C.52:14-17.28b) shall not be deemed to apply with regard to  
22 contributions specified and made under this section. Paragraph (7)  
23 of subsection c. of P.L.1996, c.8 (C.52:14-17.28b) shall apply with  
24 regard to contributions specified and made under this section.

25 A qualified retiree under section 1 of P.L.1997, c.330 (C.52:14-  
26 17.32i) who meets the eligibility requirements on or after the  
27 effective date of P.L. , c. (pending before the Legislature as this  
28 bill) shall not pay less than the contribution required under  
29 subsection b. of this section, including as specified in paragraph (3)  
30 of subsection b. of this section. Part-time State employees and part-  
31 time faculty members participating under section 1 of P.L.2003,  
32 c.172 (C.52:14-17.33a) shall not pay less than the contribution  
33 specified in subsection a. of this section. Subsection b. of this  
34 section shall apply under subsection b. of section 7 of P.L.1964,  
35 c.125 (C.52:14-17.38) to a surviving spouse of a retired employee  
36 of an employer other than the State and the employee's dependents  
37 in the same manner as to the retiree at the time of death.

38 The minimum contribution based on the retirement allowance of  
39 members of the alternate benefit program in retirement shall be  
40 determined, as may be necessary, pursuant to the formula specified  
41 in paragraph (4) of subsection c. of section 6 of P.L.1996, c.8  
42 (C.52:14-17.28b).

43 All other provisions of law shall remain applicable to the extent  
44 not inconsistent with this section.

45 d. Any extension, alteration, re-opening, amendment or other  
46 adjustment to a collective negotiations agreement in force on the  
47 effective date of P.L. , c. (pending before the Legislature as this  
48 bill), or to an agreement that is expired on that effective date, shall

Chapter 78, P.L. 2011

1 be considered a new collective negotiations agreement entered into  
2 after that effective date for the purposes of this section.

3  
4 41. (New section) a. Notwithstanding the provisions of any  
5 other law to the contrary, public employees, as specified herein, of a  
6 local board of education shall contribute, through the withholding  
7 of the contribution from the pay, salary, or other compensation,  
8 toward the cost of health care benefits coverage for the employee  
9 and any dependent provided pursuant to P.L.1979, c.391  
10 (C.18A:16-12 et seq.), unless the provisions of subsection b. of this  
11 section apply, in an amount that shall be determined in accordance  
12 with section 39 of P.L. , c. (C. ) (pending before the  
13 Legislature as this bill), except that, employees employed on the  
14 date on which the contribution commences, as specified in  
15 subsection c. of this section, shall pay:

16 during the first year in which the contribution is effective, one-  
17 fourth of the amount of contribution;

18 during the second year in which the contribution is effective,  
19 one-half of the amount of contribution; and

20 during the third year in which the contribution is effective, three-  
21 fourths of the amount of contribution,

22 as that amount is calculated in accordance with section 39 of  
23 P.L. , c. (C. ) (pending before the Legislature as this bill).

24 The amount payable by any employee under this subsection shall  
25 not under any circumstance be less than the 1.5 percent of base  
26 salary that is provided for in subsection b. of section 6 of P.L.1979,  
27 c.391 (C.18A:16-17). An employee who pays the contribution  
28 required under this subsection shall not also be required to pay the  
29 contribution of 1.5 percent of base salary under subsection b. of  
30 section 6 of P.L.1979, c.391 (C.18A:16-17).

31 This section shall apply to employees for whom the employer  
32 has assumed a health care benefits payment obligation pursuant to  
33 section 6 of P.L.1979, c.391 (C.18A:16-17), to require that such  
34 employees pay at a minimum the amount of contribution specified  
35 in this section for health care benefits coverage.

36 b. A board of education may enter into a contract or contracts  
37 to provide health care benefits including prescription drug benefits  
38 and other health care benefits, as may be required to implement a  
39 duly executed collective negotiations agreement, and may provide  
40 through such agreement for an amount of employee contribution as  
41 a cost share or premium share that is other than the percentage  
42 required under subsection a. of this section, if the total aggregate  
43 savings during the term of the agreement from employee  
44 contributions or plan design, or both, from that agreement as  
45 applied to employees covered by that agreement, and to employees  
46 not covered by that agreement but to whom the agreement has been  
47 applied by the employer, if any, equals or exceeds the annual  
48 savings that would have resulted had those employees made the

## Chapter 78, P.L. 2011

77

1 contributions required under subsection a. of this section plus the  
2 annual savings resulting to the plans within the School Employees'  
3 Health Benefits Program as a result of plan design changes made  
4 pursuant to P.L. , c. (C. ) (pending before the Legislature as  
5 this bill).

6 A board of education shall certify the savings in writing to the  
7 Department of Education and the Division of Pensions and Benefits  
8 in the Department of the Treasury. The Department of Education  
9 shall review and approve or reject the certification within 30 days  
10 of receipt. The certification is deemed approved if not rejected  
11 within that time. The agreement shall not be executed until that  
12 approval is received or the 30 day period has lapsed, whichever  
13 occurs first.

14 c. The contribution under subsection a. of this section shall  
15 commence: (1) upon the effective date of P.L. , c. (pending  
16 before the Legislature as this bill) for employees who do not have a  
17 majority representative for collective negotiations purposes,  
18 notwithstanding that the terms of a collective negotiations  
19 agreement binding on the employer have been applied or have been  
20 deemed applicable to those employees by the employer, or have  
21 been used to modify the respective payment obligations of the  
22 employer and those employees in a manner consistent with those  
23 terms, before that effective date; and (2) upon the expiration of any  
24 applicable binding collective negotiations agreement in force on  
25 that effective date for employees covered by that agreement with  
26 the contribution required for the first year under subsection a. of  
27 this section commencing in the first year after that expiration, or  
28 upon the effective date of P.L. , c. (pending before the  
29 Legislature as this bill) if such an agreement has expired before that  
30 effective date with the contribution required for the first year under  
31 subsection a. of this section commencing in the first year after that  
32 effective date.

33 Once those employees are subjected to the contribution  
34 requirements set forth in subsection a. of this section, the public  
35 employers and public employees shall be bound by this act, P.L. ,  
36 c. (C. ) (pending before the Legislature as this bill), to apply the  
37 contribution levels set forth in section 39 of this act until all  
38 affected employees are contributing the full amount of the  
39 contribution, as determined by the implementation schedule set  
40 forth in subsection a. of this section. Notwithstanding the  
41 expiration date set forth in section 83 of this act, P.L. , c. (C. )  
42 (pending before the Legislature as this bill), or the expiration date  
43 of any successor agreements, the parties shall be bound to apply the  
44 requirements of this paragraph until they have reached the full  
45 implementation of the schedule set forth in subsection a. of this  
46 section.

47 As may be permitted by law or otherwise, the authority to  
48 determine an amount of contribution at the discretion of the

Chapter 78, P.L. 2011

1 employer or by means of a binding collective negotiations  
2 agreement, and by means of the application of the terms of such an  
3 agreement to employees who do not have a majority representative  
4 for collective negotiations purposes, or the modification of the  
5 respective payment obligations of the employer and those  
6 employees in a manner consistent with the terms of such  
7 agreements, shall remain in effect with regard to contributions,  
8 whether as a share of the cost, or percentage of the premium or  
9 periodic charge, or otherwise, in addition to the contributions  
10 required under subsection a. of this section.

11 This section shall apply when the health care benefits are  
12 provided through self insurance, the purchase of commercial  
13 insurance or reinsurance, an insurance fund or joint insurance fund,  
14 or in any other manner, or any combination thereof.

15 All other provisions of law shall remain applicable to the extent  
16 not inconsistent with this section.

17 d. Any extension, alteration, re-opening, amendment or other  
18 adjustment to a collective negotiations agreement in force on the  
19 effective date of P.L. , c. ( pending before the Legislature as this  
20 bill), or to an agreement that is expired on that effective date, shall  
21 be considered a new collective negotiations agreement entered into  
22 after that effective date for the purposes of this section.

23

24 42. (New section) a. Notwithstanding the provisions of any  
25 other law to the contrary, public employees, as specified herein, of a  
26 local unit or agency thereof, herein referred to as an employer, shall  
27 contribute, through the withholding of the contribution from the  
28 pay, salary, or other compensation, toward the cost of health care  
29 benefits coverage for the employee and any dependent provided  
30 pursuant to N.J.S.40A:10-16 et seq., unless the provisions of  
31 subsection c. of this section apply, in an amount that shall be  
32 determined in accordance with section 39 of P.L. , c. (C. )  
33 (pending before the Legislature as this bill), except that, employees  
34 employed on the date on which the contribution commences, as  
35 specified in subsection d. of this section, shall pay:

36 during the first year in which the contribution is effective, one-  
37 fourth of the amount of contribution;

38 during the second year in which the contribution is effective,  
39 one-half of the amount of contribution; and

40 during the third year in which the contribution is effective, three-  
41 fourths of the amount of contribution,

42 as that amount is calculated in accordance with section 39 of  
43 P.L. , c. (C. ) (pending before the Legislature as this bill).

44 The amount payable by any employee under this subsection shall  
45 not under any circumstance be less than the 1.5 percent of base  
46 salary that is provided for in subsection b. of N.J.S.40A:10-21 or  
47 section 16 of P.L.2010, c.2 (C.18A:64A-13.1a). An employee who  
48 pays the contribution required under this subsection shall not also

**Chapter 78, P.L. 2011**

1 be required to pay the contribution of 1.5 percent of base salary  
2 under subsection b. of N.J.S.40A:10-21 or section 16 of P.L.2010,  
3 c.2 (C.18A:64A-13.1a).

4 This subsection shall apply to employees for whom the employer  
5 has assumed a health care benefits payment obligation pursuant to  
6 N.J.S.40A:10-21, to require that such employees pay at a minimum  
7 the amount of contribution specified in this section for health care  
8 benefits coverage, with employer including a county college.

9 b. (1) Notwithstanding the provisions of any other law to the  
10 contrary, public employees of an employer, as those employees are  
11 specified in paragraph (2) of this subsection, shall contribute,  
12 through the withholding of the contribution from the monthly  
13 retirement allowance, toward the cost of health care benefits  
14 coverage for the employee in retirement and any dependent  
15 provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions  
16 of subsection c. of this section apply, in an amount that shall be  
17 determined in accordance with section 39 of P.L. , c. (C. )  
18 (pending before the Legislature as this bill) by using the percentage  
19 applicable to the range within which the annual retirement  
20 allowance, and any future cost of living adjustments thereto, falls.  
21 The retirement allowance, and any future cost of living adjustments  
22 thereto, shall be used to identify the percentage of the cost of  
23 coverage.

24 (2) The contribution specified in paragraph (1) of this  
25 subsection shall apply to:

26 (a) employees of employers for whom there is a majority  
27 representative for collective negotiations purposes who accrue the  
28 number of years of service credit, and age if required, as specified  
29 in N.J.S.40A:10-23, or on or after the expiration of an applicable  
30 binding collective negotiations agreement in force on that effective  
31 date, and who retire on or after that effective date or expiration  
32 date, excepting employees who elect deferred retirement, when the  
33 employer has assumed payment obligations for health care benefits  
34 in retirement for such an employee; and

35 (b) employees of employers for whom there is no majority  
36 representative for collective negotiations purposes who accrue the  
37 number of years of service credit, and age if required, as specified  
38 in N.J.S.40A:10-23, on or after that effective date or on or after the  
39 expiration of a binding collective negotiations agreement in force  
40 on that effective date if the terms of that agreement concerning  
41 health care benefits payment obligations in retirement have been  
42 deemed applicable by the employer to those employees, and who  
43 retire on or after that effective date or expiration date, excepting  
44 employees who elect deferred retirement, when the employer has  
45 assumed payment obligations for health care benefits in retirement  
46 for such an employee.

47 (3) Employees described in paragraph (2) of this subsection who  
48 have 20 or more years of creditable service in one or more State or

**Chapter 78, P.L. 2011**

1 locally-administered retirement systems on the effective date of  
2 P.L. , c. (pending before the Legislature of this bill) shall not be  
3 subject to the provisions of this subsection.

4 The amount payable by a retiree under this subsection shall not  
5 under any circumstance be less than the 1.5 percent of the monthly  
6 retirement allowance, including any future cost of living  
7 adjustments thereto, that is provided for such a retiree, if applicable  
8 to that retiree, under subsection b. of section N.J.S.40A:10-23. A  
9 retiree who pays the contribution required under this subsection  
10 shall not also be required to pay the contribution of 1.5 percent of  
11 the monthly retirement allowance under subsection b. of section  
12 N.J.S.40A:10-23.

13 c. A local unit may enter into a contract or contracts to provide  
14 health care benefits, including prescription drug benefits and other  
15 health care benefits, as may be required to implement a duly  
16 executed collective negotiations agreement, and may provide  
17 through such agreement for an amount of employee or retiree  
18 contribution as a cost share or premium share that is other than the  
19 percentage required under subsections a. or b., or both, of this  
20 section, if the total aggregate savings during the term of that  
21 agreement from such contributions or plan design, or both, from  
22 that agreement as applied to employees and retirees covered by that  
23 agreement, and to employees and retirees not covered by that  
24 agreement but to whom the agreement has been applied by the  
25 employer, if any, equals or exceeds the annual savings that would  
26 have resulted had those employees or retirees made the  
27 contributions required under subsections a. or b., or both, of this  
28 section plus the annual savings resulting to the plans within the  
29 State Health Benefits Program as a result of plan design changes  
30 made pursuant to P.L. , c. (C. ) (pending before the  
31 Legislature as this bill).

32 A local unit shall certify the savings in writing to the Division of  
33 Local Government Services in the Department of Community  
34 Affairs and the Division of Pensions and Benefits in the Department  
35 of the Treasury. The Department of Community Affairs shall  
36 review and approve or reject the certification within 30 days of  
37 receipt. The certification shall be deemed approved if not rejected  
38 within that time. The agreement shall not be executed until that  
39 approval is received or the 30 day period has lapsed, whichever  
40 occurs first.

41 d. The contribution under subsection a. of this section shall  
42 commence: (1) upon the effective date of P.L. , c. (pending  
43 before the Legislature as this bill) for employees who do not have a  
44 majority representative for collective negotiations purposes,  
45 notwithstanding that the terms of an applicable collective  
46 negotiations agreement binding on the employer have been applied  
47 or have been deemed applicable to those employees by the  
48 employer, or have been used to modify the respective payment

## Chapter 78, P.L. 2011

81

1 obligations of the employer and those employees in a manner  
2 consistent with those terms, before that effective date; and (2) upon  
3 the expiration of any applicable binding collective negotiations  
4 agreement in force on that effective date for employees covered by  
5 that agreement with the contribution required for the first year  
6 under subsection a. of this section commencing in the first year  
7 after that expiration, or upon the effective date of P.L. ,  
8 c. (pending before the Legislature as this bill) if such an agreement  
9 has expired before that effective date with the contribution required  
10 for the first year under subsection a. of this section commencing in  
11 the first year after that effective date.

12 Once those employees are subjected to the contribution  
13 requirements set forth in subsection a. of this section, the public  
14 employers and public employees shall be bound by this act, P.L. ,  
15 c. (C. ) (pending before the Legislature as this bill), to apply  
16 the contribution levels set forth in section 39 of this act until all  
17 affected employees are contributing the full amount of the  
18 contribution, as determined by the implementation schedule set  
19 forth in subsection a. of this section. Notwithstanding the  
20 expiration date set forth in section 83 of this act, P.L. , c.  
21 (C. ) (pending before the Legislature as this bill), or the  
22 expiration date of any successor agreements, the parties shall be  
23 bound to apply the requirements of this paragraph until they have  
24 reached the full implementation of the schedule set forth in  
25 subsection a. of this section.

26 As may be permitted by law or otherwise, the authority to  
27 determine an amount of contribution at the discretion of the  
28 employer or by means of a binding collective negotiations  
29 agreement, and by means of the application of the terms of such an  
30 agreement to employees who do not have a majority representative  
31 for collective negotiations purposes, or the modification of the  
32 respective payment obligations of the employer and those  
33 employees in a manner consistent with the terms of such an  
34 agreement, shall remain in effect with regard to contributions,  
35 whether as a share of the cost, or percentage of the premium or  
36 periodic charge, or otherwise, in addition to the contributions  
37 required under subsections a. and b. of this section.

38 This section shall apply when the health care benefits are  
39 provided through self insurance, the purchase of commercial  
40 insurance or reinsurance, an insurance fund or joint insurance fund,  
41 or in any other manner, or any combination thereof.

42 This section shall apply to counties and municipalities, and any  
43 agency, board, commission, authority, or instrumentality of a local  
44 unit, fire districts, or other entities created by a county or  
45 municipality, and to county colleges.

46 Amounts deducted from a retiree's benefit pursuant to subsection  
47 b. of this section shall be paid to the retiree's former employer, as  
48 appropriate

**Chapter 78, P.L. 2011**

1 All other provisions of law shall remain applicable to the extent  
2 not inconsistent with this section.

3 e. Any extension, alteration, re-opening, amendment or other  
4 adjustment to a collective negotiations agreement in force on the  
5 effective date of P.L. , c. ( pending before the Legislature as this  
6 bill), or to an agreement that is expired on that effective date, shall  
7 be considered a new collective negotiations agreement entered into  
8 after that effective date for the purposes of this section.

9  
10 43. (New section) As used in this section, "independent State  
11 authority" means a public authority, board, commission,  
12 corporation, or other agency or instrumentality of the State  
13 allocated, in but not of, a principal department of State government  
14 pursuant to Article V, Section IV, paragraph 1 of the New Jersey  
15 Constitution, or which is not subject to supervision or control by the  
16 department in which it is allocated, and a regional authority, but  
17 shall not include a college or university.

18 Notwithstanding the provisions of any other law to the contrary,  
19 public employees of an independent State authority who are not  
20 subject to the provisions of section 40 of P.L. , c. (C. )  
21 (pending before the Legislature as this bill) shall contribute,  
22 through the withholding of the contribution from the pay, salary, or  
23 other compensation or from the monthly retirement allowance,  
24 toward the cost of health care benefits coverage for the employee  
25 and any dependent provided by the authority during active service  
26 and in retirement in an amount that shall be determined as closely  
27 as possible in accordance with sections 39 and 40 of P.L. ,  
28 c. (C. ) (pending before the Legislature as this bill).

29 Once those employees are subjected to the contribution  
30 requirements set forth in this section, the public employers and  
31 public employees shall be bound by this act, P.L. , c. (C. )  
32 (pending before the Legislature as this bill), to apply the  
33 contribution levels set forth in section 39 of this act until all  
34 affected employees are contributing the full amount of the  
35 contribution, as determined by the implementation schedule set  
36 forth in subsection a. of section 40 of this act. Notwithstanding the  
37 expiration date set forth in section 83 of this act, P.L. ,  
38 c. (C. ) (pending before the Legislature as this bill), or the  
39 expiration date of any successor agreements, the parties shall be  
40 bound to apply the requirements of this paragraph until they have  
41 reached the full implementation of the schedule set forth in  
42 subsection a. of section 40 of this act.

43  
44 44. (New section) As used in this section, "local authority"  
45 means an "authority" as defined under the "Local Authorities Fiscal  
46 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

47 Notwithstanding the provisions of any other law to the contrary,  
48 public employees of a local authority who are not subject to the

## Chapter 78, P.L. 2011

83

1 provisions of sections 40 and 42 of P.L. , c. (C. ) (pending  
2 before the Legislature as this bill) shall contribute, through the  
3 withholding of the contribution from the pay, salary, or other  
4 compensation or from the monthly retirement allowance, toward the  
5 cost of health care benefits coverage for the employee and any  
6 dependent provided by the local authority during active service and  
7 in retirement in an amount that shall be determined as closely as  
8 possible in accordance with sections 39 and 42 of P.L. ,  
9 c. (C. ) (pending before the Legislature as this bill).

10 Once those employees are subjected to the contribution  
11 requirements set forth in this section, the public employers and  
12 public employees shall be bound by this act, P.L. , c. (C. )  
13 (pending before the Legislature as this bill), to apply the  
14 contribution levels set forth in section 39 of this act until all  
15 affected employees are contributing the full amount of the  
16 contribution, as determined by the implementation schedule set  
17 forth in subsection a. of section 42 of this act. Notwithstanding the  
18 expiration date set forth in section 83 of this act, P.L. , c. (C. )  
19 (pending before the Legislature as this bill), or the expiration date  
20 of any successor agreements, the parties shall be bound to apply the  
21 requirements of this paragraph until they have reached the full  
22 implementation of the schedule set forth in subsection a. of section  
23 40 of this act.

24  
25 45. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to  
26 read as follows:

27 3. a. There is hereby created a State Health Benefits  
28 Commission, consisting of five members: the State Treasurer; the  
29 Commissioner of Banking and Insurance; the Chairperson of the  
30 Civil Service Commission; a State employees' representative chosen  
31 by the Public Employees' Committee of the AFL-CIO; and [,  
32 through June 30, 2008, when employers of employees, as defined in  
33 section 32 of P.L.2007, c.103 (C.52:14-17.46.2), will no longer be  
34 eligible to participate in the State Health Benefits Program  
35 authorized by P.L.1961, c.49, a representative chosen by the New  
36 Jersey Education Association, which represents the largest number  
37 of employees of employers other than the State participating in the  
38 State Health Benefits Program. Beginning July 1, 2008,] the fifth  
39 member of the commission shall be a local employees'  
40 representative chosen by the Public Employees' Committee of the  
41 AFL-CIO.

42 The treasurer shall be chairman of the commission and the health  
43 benefits program authorized by P.L.1961, c.49 shall be administered  
44 in the Treasury Department. The Director of the Division of  
45 Pensions and Benefits shall be the secretary of the commission. The  
46 commission and committee shall establish a health benefits program  
47 for the employees of the State, the cost of which shall be paid as  
48 specified in section 6 of P.L.1961, c.49 (C.52:14-17.30). The

## Chapter 78, P.L. 2011

84

1 commission, in consultation with the committee, shall establish  
2 rules and regulations as may be deemed reasonable and necessary  
3 for the administration of P.L.1961, c.49.

4 The Attorney General shall be the legal advisor of the  
5 commission and committee.

6 The members of the commission and committee shall serve  
7 without compensation but shall be reimbursed for any necessary  
8 expenditures. The public employee members shall not suffer loss of  
9 salary or wages during service on the commission or committee.

10 The commission shall publish annually a report showing the  
11 fiscal transactions of the program for the preceding year and stating  
12 other facts pertaining to the plan. The commission shall submit the  
13 report to the Governor and furnish a copy to every employer for use  
14 of the participants and the public.

15 b. There is established a State Health Benefits Plan Design  
16 Committee, composed of 12 members as follows:

17 six members who shall be appointed by the Governor as  
18 representatives of public employers whose employees are enrolled  
19 in the program;

20 three members who shall be appointed by the Public Employee  
21 Committee of the AFL-CIO;

22 one member who shall be appointed by the head of the union,  
23 that is not affiliated with the AFL-CIO, that represents the greatest  
24 number of police officers in this State;

25 one member who shall be appointed by the head of the union,  
26 that is not affiliated with the AFL-CIO, that represents the greatest  
27 number of firefighters in this State; and

28 one member who shall be appointed by the head of the State  
29 Troopers Fraternal Association.

30 The members of the committee shall serve for a term of three  
31 years and until a successor is appointed and qualified. Of the initial  
32 appointments by the Governor, three members shall serve for two  
33 years and until a successor is appointed and qualified, and two shall  
34 serve for one year and until a successor is appointed and qualified.  
35 Of the initial appointment by the head of the union representing the  
36 greatest number of police officers in the State, the member shall  
37 serve for two years and until a successor is appointed and qualified.  
38 Of the initial appointment by the head the union representing the  
39 greatest number of firefighters in the State, the member shall serve  
40 for one year and until a successor is appointed and qualified.

41 The members of the committee shall select a chairperson from  
42 among the members, who shall serve for a term of one year, with no  
43 member serving more than one term as chairperson until all the  
44 members of the committee have served a term in a manner  
45 alternating among the employer representatives and employee  
46 representatives, unless the committee determines otherwise with  
47 regard to this process.

Chapter 78, P.L. 2011

1        The committee shall have the responsibility for and authority  
2 over the various plans and components of those plans, including for  
3 medical benefits, prescription benefits, dental, vision, and any other  
4 health care benefits, offered and administered by the program. The  
5 committee shall have the authority to create, modify, or terminate  
6 any plan or component, at its sole discretion. Any reference in law  
7 to the State Health Benefits Commission in the context of the  
8 creation, modification, or termination of a plan or plan component  
9 shall be deemed to apply to the committee.

10        The members of the committee shall have the same duty and  
11 responsibility to the program as do the members of the commission.

12        If any matter before the committee receives at least seven votes  
13 in the affirmative, the commission shall approve and implement the  
14 committee's decision.

15        If any matter before the committee receives six votes in the  
16 affirmative and six votes in the negative or the committee otherwise  
17 reaches an impasse on a decision, the provisions of section 55 of  
18 P.L. , c. (C. ) (pending before the Legislature as this bill) shall  
19 be followed.

20 (cf: P.L.2008, c.29, s.108)

21

22        46. Section 33 of P.L.2007, c.103 (C.52:14-17.46.3) is amended  
23 to read as follows:

24        33. a. There is hereby created a School Employees' Health  
25 Benefits Commission, consisting of nine members:

26        (1) the State Treasurer and the Commissioner of the Department  
27 of Banking and Insurance serving ex officio;

28        (2) a member appointed by the Governor who is a New Jersey  
29 resident and is qualified by experience, education, or training in the  
30 review, administration, or design of health insurance plans for self-  
31 insured employers;

32        (3) a member appointed by the Governor from among three  
33 persons nominated by the New Jersey School Boards' Association,  
34 which member shall be qualified by experience, education, or  
35 training in the review, administration, or design of health insurance  
36 plans for self-insured employers;

37        (4) three members appointed by the Governor from among five  
38 persons nominated by the New Jersey Education Association, of  
39 whom two shall be qualified by experience, education, or training in  
40 the review, administration, or design of health insurance plans for  
41 self-insured employers;

42        (5) a member appointed by the Governor from among three  
43 persons nominated by the education section of the New Jersey State  
44 AFL-CIO, which member shall be qualified by experience,  
45 education, or training in the review, administration, or design of  
46 health insurance plans for self-insured employers; and

47        (6) a member appointed pursuant to subsection b. of this section  
48 who shall be the chairperson.

Chapter 78, P.L. 2011

1       b. The Governor shall appoint the chairperson from among  
2 three persons nominated jointly by at least six of the eight members  
3 appointed pursuant to subsection a. of this section.

4       c. If the Governor declines to make an appointment from  
5 among the persons nominated for membership, the Governor shall  
6 request that a new list of nominees be provided in compliance with  
7 subsection a. of this section. If the Governor declines to make an  
8 appointment from the new list, the process set forth in this  
9 subsection shall be repeated until the Governor makes an  
10 appointment from a list of nominees. Except with respect to the  
11 appointment of the chairperson, if a new list of nominees is not  
12 submitted within 45 days of the Governor's request, the Governor  
13 shall make the appointment without the need to select from any list  
14 of nominees.

15       d. The initial terms of the members of the commission shall be  
16 as follows:

17       (1) the member appointed pursuant to paragraph (3) of  
18 subsection a. of this section and the two members appointed  
19 pursuant to paragraph (4) of subsection a. of this section who are  
20 required to be qualified by experience, education, or training shall  
21 serve for a term of three years;

22       (2) the member appointed pursuant to paragraph (2) of  
23 subsection a. of this section, the member appointed pursuant to  
24 paragraph (4) of subsection a. of this section who is not required to  
25 be qualified by experience, education, or training, and the member  
26 appointed pursuant to paragraph (5) of subsection a. of this section  
27 shall serve for a term of two years; and

28       (3) the chairperson shall serve for a term of six years.

29       All subsequent terms shall be for three years, except that the  
30 term of the chairperson shall be five years. A member of the  
31 commission may be reappointed to succeeding terms without limit  
32 in the same manner as the original appointment. A vacancy  
33 occurring on the commission shall be filled in the same manner as  
34 the original appointment and only for the unexpired term.

35       e. There is established a School Employees' Health Benefits  
36 Plan Design Committee, composed of six members as follows:

37       three members who shall be appointed by the Governor as  
38 representatives of public employers whose employees are enrolled  
39 in the program;

40       two members who shall be appointed by the New Jersey  
41 Education Association; and

42       one member who shall be appointed by the education section of  
43 the New Jersey State AFL-CIO.

44       The members of the committee shall serve for a term of three  
45 years and until a successor is appointed and qualified. Of the initial  
46 appointments by the Governor, two members shall serve for two  
47 years and until a successor is appointed and qualified, and one shall  
48 serve for one year and until a successor is appointed and qualified.

Chapter 78, P.L. 2011

1 Of the initial appointments by the New Jersey Education  
2 Association, one member shall serve for one year and until a  
3 successor is appointed and qualified.

4 The members of the committee shall select a chairperson from  
5 among the members, who shall serve for a term of one year, with no  
6 member serving more than one term as chairperson until all the  
7 members of the committee have served a term in a manner  
8 alternating among the employer representatives and employee  
9 representatives, unless the committee determines otherwise with  
10 regard to this process.

11 The committee shall have the responsibility for and authority  
12 over the various plans and components of those plans, including for  
13 medical benefits, prescription benefits, dental, vision, and any other  
14 health care benefits, offered and administered by the program. The  
15 committee shall have the authority to create, modify, or terminate  
16 any plan or component, at its sole discretion. Any reference in law  
17 to the School Employees' Health Benefits Commission in the  
18 context of the creation, modification, or termination of a plan or  
19 plan component shall be deemed to apply to the committee.

20 The members of the committee shall have the same duty and  
21 responsibility to the program as do the members of the commission.

22 If any matter before the committee receives at least four votes in  
23 the affirmative, the commission shall approve and implement the  
24 committee's decision.

25 If any matter before the committee receives three votes in the  
26 affirmative and three votes in the negative or the committee  
27 otherwise reaches an impasse on a decision, the provisions of  
28 section 55 of P.L. , c. (C. ) (pending before the Legislature as  
29 this bill) shall be followed.

30 (cf: P.L.2007, c.103, s.33)

31

32 47. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to  
33 read as follows:

34 5. (A) The contract or contracts purchased by the commission  
35 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
36 17.28) shall provide separate coverages or policies as follows:

- 37 (1) Basic benefits which shall include:  
38 (a) Hospital benefits, including outpatient;  
39 (b) Surgical benefits;  
40 (c) Inpatient medical benefits;  
41 (d) Obstetrical benefits; and  
42 (e) Services rendered by an extended care facility or by a home  
43 health agency and for specified medical care visits by a physician  
44 during an eligible period of such services, without regard to  
45 whether the patient has been hospitalized, to the extent and subject  
46 to the conditions and limitations agreed to by the commission and  
47 the carrier or carriers.

## Chapter 78, P.L. 2011

88

1 Basic benefits shall be substantially equivalent to those available  
2 on a group remittance basis to employees of the State and their  
3 dependents under the subscription contracts of the New Jersey  
4 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall  
5 include benefits for:

- 6 (i) Additional days of inpatient medical service;
- 7 (ii) Surgery elsewhere than in a hospital;
- 8 (iii) X-ray, radioactive isotope therapy and pathology services;
- 9 (iv) Physical therapy services;
- 10 (v) Radium or radon therapy services;

11 and the extended basic benefits shall be subject to the same  
12 conditions and limitations, applicable to such benefits, as are set  
13 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,  
14 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS  
15 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue  
16 Shield" Plans, respectively, and as the same may be amended or  
17 superseded, subject to filing by the Commissioner of Banking and  
18 Insurance; and

19 (2) Major medical expense benefits which shall provide benefit  
20 payments for reasonable and necessary eligible medical expenses  
21 for hospitalization, surgery, medical treatment and other related  
22 services and supplies to the extent they are not covered by basic  
23 benefits. The commission may, by regulation, determine what types  
24 of services and supplies shall be included as "eligible medical  
25 services" under the major medical expense benefits coverage as  
26 well as those which shall be excluded from or limited under such  
27 coverage. Benefit payments for major medical expense benefits  
28 shall be equal to a percentage of the reasonable charges for eligible  
29 medical services incurred by a covered employee or an employee's  
30 covered dependent, during a calendar year as exceed a deductible  
31 for such calendar year of \$100.00 subject to the maximums  
32 hereinafter provided and to the other terms and conditions  
33 authorized by this act. The percentage shall be 80% of the first  
34 \$2,000.00 of charges for eligible medical services incurred  
35 subsequent to satisfaction of the deductible and 100% thereafter.  
36 There shall be a separate deductible for each calendar year for (a)  
37 each enrolled employee and (b) all enrolled dependents of such  
38 employee. Not more than \$1,000,000.00 shall be paid for major  
39 medical expense benefits with respect to any one person for the  
40 entire period of such person's coverage under the plan, whether  
41 continuous or interrupted except that this maximum may be  
42 reapplied to a covered person in amounts not to exceed \$2,000.00 a  
43 year. Maximums of \$10,000.00 per calendar year and \$20,000.00  
44 for the entire period of the person's coverage under the plan shall  
45 apply to eligible expenses incurred because of mental illness or  
46 functional nervous disorders, and such may be reapplied to a  
47 covered person, except as provided in P.L.1999, c.441 (C.52:14-  
48 17.29d et al.). The same provisions shall apply for retired

## Chapter 78, P.L. 2011

89

1 employees and their dependents. Under the conditions agreed upon  
2 by the commission and the carriers as set forth in the contract, the  
3 deductible for a calendar year may be satisfied in whole or in part  
4 by eligible charges incurred during the last three months of the prior  
5 calendar year.

6 Any service determined by regulation of the commission to be an  
7 "eligible medical service" under the major medical expense benefits  
8 coverage which is performed by a duly licensed practicing  
9 psychologist within the lawful scope of his practice shall be  
10 recognized for reimbursement under the same conditions as would  
11 apply were such service performed by a physician.

12 (B) The contract or contracts purchased by the commission  
13 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
14 17.28) shall include coverage for services and benefits that are at a  
15 level that is equal to or exceeds the level of services and benefits set  
16 forth in this subsection, provided that such services and benefits  
17 shall include only those that are eligible medical services and not  
18 those deemed experimental, investigative or otherwise not eligible  
19 medical services. The determination of whether services or benefits  
20 are eligible medical services shall be made by the commission  
21 consistent with the best interests of the State and participating  
22 employers, employees, and dependents. The following list of  
23 services is not intended to be exclusive or to require that any limits  
24 or exclusions be exceeded.

25 Covered services shall include:

26 (1) Physician services, including:

27 (a) Inpatient services, including:

28 (i) medical care including consultations;

29 (ii) surgical services and services related thereto; and

30 (iii) obstetrical services including normal delivery, cesarean  
31 section, and abortion.

32 (b) Outpatient/out-of-hospital services, including:

33 (i) office visits for covered services and care;

34 (ii) allergy testing and related diagnostic/therapy services;

35 (iii) dialysis center care;

36 (iv) maternity care;

37 (v) well child care;

38 (vi) child immunizations/lead screening;

39 (vii) routine adult physicals including pap, mammography, and  
40 prostate examinations; and

41 (viii) annual routine obstetrical/gynecological exam.

42 (2) Hospital services, both inpatient and outpatient, including:

43 (a) room and board;

44 (b) intensive care and other required levels of care;

45 (c) semi-private room;

46 (d) therapy and diagnostic services;

47 (e) surgical services or facilities and treatment related thereto;

48 (f) nursing care;

**Chapter 78, P.L. 2011**

- 1 (g) necessary supplies, medicines, and equipment for care; and
- 2 (h) maternity care and related services.
- 3 (3) Other facility and services, including:
  - 4 (a) approved treatment centers for medical
  - 5 emergency/accidental injury;
  - 6 (b) approved surgical center;
  - 7 (c) hospice;
  - 8 (d) chemotherapy;
  - 9 (e) diagnostic x-ray and lab tests;
  - 10 (f) ambulance;
  - 11 (g) durable medical equipment;
  - 12 (h) prosthetic devices;
  - 13 (i) foot orthotics;
  - 14 (j) diabetic supplies and education; and
  - 15 (k) oxygen and oxygen administration.

16 (4) All services for which coverage is required pursuant to  
17 P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and  
18 supplemented. Benefits under the contract or contracts purchased as  
19 authorized by the State Health Benefits Program shall include those  
20 for mental health services subject to limits and exclusions  
21 consistent with the provisions of the New Jersey State Health  
22 Benefits Program Act.

23 (C) The contract or contracts purchased by the commission  
24 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
25 17.28) shall include the following provisions regarding  
26 reimbursements and payments:

27 (1) In the successor plan, the co-payment for doctor's office  
28 visits shall be \$10 per visit with a maximum out-of-pocket of \$400  
29 per individual and \$1,000 per family for in-network services for  
30 each calendar year. The out-of-network deductible shall be \$100 per  
31 individual and \$250 per family for each calendar year, and the  
32 participant shall receive reimbursement for out-of-network charges  
33 at the rate of 80% of reasonable and customary charges, provided  
34 that the out-of-pocket maximum shall not exceed \$2,000 per  
35 individual and \$5,000 per family for each calendar year.

36 (2) In the State managed care plan that is required to be included  
37 in a contract entered into pursuant to subsection c. of section 4 of  
38 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office  
39 visits shall be \$15 per visit. The participant shall receive  
40 reimbursement for out-of-network charges at the rate of 70% of  
41 reasonable and customary charges. The in-network and out-of-  
42 network limits, exclusions, maximums, and deductibles shall be  
43 substantially equivalent to those in the NJ PLUS plan in effect on  
44 June 30, 2007, with adjustments to that plan pursuant to a binding  
45 collective negotiations agreement or pursuant to action by the  
46 commission, in its sole discretion, to apply such adjustments to  
47 State employees for whom there is no majority representative for  
48 collective negotiations purposes.

## Chapter 78, P.L. 2011

91

1 (3) "Reasonable and customary charges" means charges based  
2 upon the 90th percentile of the usual, customary, and reasonable  
3 (UCR) fee schedule determined by the Health Insurance  
4 Association of America or a similar nationally recognized database  
5 of prevailing health care charges.

6 (D) Benefits under the contract or contracts purchased as  
7 authorized by this act may be subject to such limitations,  
8 exclusions, or waiting periods as the commission finds to be  
9 necessary or desirable to avoid inequity, unnecessary utilization,  
10 duplication of services or benefits otherwise available, including  
11 coverage afforded under the laws of the United States, such as the  
12 federal Medicare program, or for other reasons.

13 Benefits under the contract or contracts purchased as authorized  
14 by this act shall include those for the treatment of alcoholism where  
15 such treatment is prescribed by a physician and shall also include  
16 treatment while confined in or as an outpatient of a licensed  
17 hospital or residential treatment program which meets minimum  
18 standards of care equivalent to those prescribed by the Joint  
19 Commission on Hospital Accreditation. No benefits shall be  
20 provided beyond those stipulated in the contracts held by the State  
21 Health Benefits Commission.

22 (E) The rates charged for any contract purchased under the  
23 authority of this act shall reasonably and equitably reflect the cost  
24 of the benefits provided based on principles which in the judgment  
25 of the commission are actuarially sound. The rates charged shall be  
26 determined by the carrier on accepted group rating principles with  
27 due regard to the experience, both past and contemplated, under the  
28 contract. The commission shall have the right to particularize  
29 subgroups for experience purposes and rates. No increase in rates  
30 shall be retroactive.

31 (F) The initial term of any contract purchased by the  
32 commission under the authority of this act shall be for such period  
33 to which the commission and the carrier may agree, but permission  
34 may be made for automatic renewal in the absence of notice of  
35 termination by the commission. Subsequent terms for which any  
36 contract may be renewed as herein provided shall each be limited to  
37 a period not to exceed one year.

38 (G) A contract purchased by the commission pursuant to  
39 subsection b. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall  
40 contain a provision that if basic benefits or major medical expense  
41 benefits of an employee or of an eligible dependent under the  
42 contract, after having been in effect for at least one month in the  
43 case of basic benefits or at least three months in the case of major  
44 medical expense benefits, is terminated, other than by voluntary  
45 cancellation of enrollment, there shall be a 31-day period following  
46 the effective date of termination during which such employee or  
47 dependent may exercise the option to convert, without evidence of  
48 good health, to converted coverage issued by the carriers on a direct

## Chapter 78, P.L. 2011

92

1 payment basis. Such converted coverage shall include benefits of  
2 the type classified as "basic benefits" or "major medical expense  
3 benefits" in subsection (A) hereof and shall be equivalent to the  
4 benefits which had been provided when the person was covered as  
5 an employee. The provision shall further stipulate that the employee  
6 or dependent exercising the option to convert shall pay the full  
7 periodic charges for the converted coverage which shall be subject  
8 to such terms and conditions as are normally prescribed by the  
9 carrier for this type of coverage.

10 (H) The commission may purchase a contract or contracts to  
11 provide drug prescription and other health care benefits or authorize  
12 the purchase of a contract or contracts to provide drug prescription  
13 and other health care benefits as may be required to implement a  
14 duly executed collective negotiations agreement or as may be  
15 required to implement a determination by a public employer to  
16 provide such benefit or benefits to employees not included in  
17 collective negotiations units.

18 (I) The commission shall take action as necessary, in  
19 cooperation with the School Employees' Health Benefits  
20 Commission established pursuant to section 33 of P.L.2007, c.103  
21 (C.52:14-17.46.3), to effectuate the purposes of the School  
22 Employees' Health Benefits Program Act as provided in sections 31  
23 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-  
24 17.46.11) and to enable the School Employees' Health Benefits  
25 Commission to begin providing coverage to participants pursuant to  
26 the School Employees' Health Benefits Program Act as of July 1,  
27 2008.

28 (J) Beginning January 1, 2012, the State Health Benefits Plan  
29 Design Committee shall provide to employees the option to select  
30 one of at least three levels of coverage each for family, individual,  
31 individual and spouse, and individual and dependent, or equivalent  
32 categories, for each plan offered by the program differentiated by  
33 out of pocket costs to employees including co-payments and  
34 deductibles. Notwithstanding any other provision of law to the  
35 contrary, the committee shall have the sole discretion to set the  
36 amounts for maximums, co-pays, deductibles, and other such  
37 participant costs for all plans in the program. The committee shall  
38 also provide for a high deductible health plan that conforms with  
39 the Internal Revenue Code Section 223.

40 There shall be appropriated annually for each State fiscal year,  
41 through the annual appropriations act, such amounts as shall be  
42 necessary as funding by the State as an employer, or as otherwise  
43 required, with regard to employees or retirees who have enrolled in  
44 a high deductible health plan that conforms with Internal Revenue  
45 Code Section 223.

46 (cf: P.L.2007, c.103, s.23)

47

**Chapter 78, P.L. 2011**

1       48. Section 36 of P.L.2007, c.103 (C.52:14-17.46.6) is amended  
2 to read as follows:

3       36. a. Notwithstanding the provisions of any other law to the  
4 contrary, the commission shall not enter into a contract under the  
5 School Employees' Health Benefits Program Act, sections 31  
6 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-  
7 17.46.11), for the benefits provided pursuant to the act, unless the  
8 level of benefits provided under the contract entered into is equal to  
9 or exceeds the level of benefits provided in this section, or as  
10 modified pursuant to section 40 of that act (C.52:14-17.46.10). Only  
11 benefits for medically necessary services that are not deemed  
12 experimental, investigative or otherwise not eligible medical  
13 services shall be provided. The determination that services are not  
14 "eligible medical services" shall be made by the commission  
15 consistent with the best interests of the State, participating  
16 employers and those persons covered hereunder. Benefits for  
17 services provided pursuant to the School Employees' Health  
18 Benefits Act shall be subject to limits or exclusions consistent with  
19 those that apply to benefits provided pursuant to the New Jersey  
20 State Health Benefits Program Act. The services provided pursuant  
21 to this section shall include all services, subject to applicable limits  
22 and exclusions, provided through the State Health Benefits Program  
23 as of July 1, 2007. The list of services in subsection b. of this  
24 section is not intended to be exclusive or to require that any limits  
25 or exclusions be exceeded.

26       b. The services covered hereunder by the School Employees'  
27 Health Benefits Program shall include:

28       (1) Physician services, including:

29       (a) Inpatient services, including:

30       (i) medical care including consultations;

31       (ii) surgical services and services related thereto; and

32       (iii) obstetrical services including normal delivery, cesarean  
33 section, and abortion.

34       (b) Outpatient/out-of-hospital services, including:

35       (i) office visits for covered services and care;

36       (ii) allergy testing and related diagnostic/therapy services;

37       (iii) dialysis center care;

38       (iv) maternity care;

39       (v) well child care;

40       (vi) child immunizations/lead screening;

41       (vii) routine adult physicals including pap, mammography, and  
42 prostate examinations; and

43       (viii) annual routine obstetrical/gynecological exam.

44       (2) Hospital services, both inpatient and outpatient, including:

45       (a) room and board;

46       (b) intensive care and other required levels of care;

47       (c) semi-private room;

48       (d) therapy and diagnostic services;

Chapter 78, P.L. 2011

- 1 (e) surgical services or facilities and treatment related thereto;  
2 (f) nursing care;  
3 (g) necessary supplies, medicines, and equipment for care; and  
4 (h) maternity care and related services.  
5 (3) Other facility and services, including:  
6 (a) approved treatment centers for medical  
7 emergency/accidental injury;  
8 (b) approved surgical center;  
9 (c) hospice;  
10 (d) chemotherapy;  
11 (e) diagnostic x-ray and lab tests;  
12 (f) ambulance;  
13 (g) durable medical equipment;  
14 (h) prosthetic devices;  
15 (i) foot orthotics;  
16 (j) diabetic supplies and education; and  
17 (k) oxygen and oxygen administration.
- 18 c. Benefits under the contract or contracts purchased as  
19 authorized by the School Employees' Health Benefits Program Act  
20 shall include those for the treatment of alcoholism where such  
21 treatment is prescribed by a physician and shall also include  
22 treatment while confined in or as an outpatient of a licensed  
23 hospital or residential treatment program which meets minimum  
24 standards of care equivalent to those prescribed by the Joint  
25 Commission on Hospital Accreditation. No benefits shall be  
26 provided beyond those stipulated in the contracts held by the School  
27 Employees' Health Benefits Commission.
- 28 d. Benefits under the contract or contracts purchased as  
29 authorized by the School Employees' Health Benefits Program Act  
30 shall include those for mental health services subject to limits and  
31 exclusions consistent with those that apply to benefits for such  
32 services pursuant to the New Jersey State Health Benefits Program  
33 Act. Coverage for biologically-based mental illness, as defined in  
34 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in  
35 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 36 e. Coverage provided under the School Employees' Health  
37 Benefits Program Act shall include coverage for all services for  
38 which coverage is mandated in the State Health Benefits Program  
39 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).
- 40 f. (1) As used in this subsection:  
41 (a) "brand name" means the proprietary or trade name assigned  
42 to a drug product by the manufacturer or distributor of the drug  
43 product.  
44 (b) "carrier" means an insurance company, hospital, medical, or  
45 health service corporation, preferred provider organization, or  
46 health maintenance organization under agreement or contract with  
47 the commission to administer the School Employee Prescription  
48 Drug Plan.

**Chapter 78, P.L. 2011**

1 (c) "School Employee Prescription Drug Plan" means the plan  
2 for providing payment for eligible prescription drug expenses of  
3 members of the School Employees' Health Benefits Program and  
4 their eligible dependents.

5 (d) "generic drug products" means prescription drug products  
6 and insulin approved and designated by the United States Food and  
7 Drug Administration as therapeutic equivalents for reference listed  
8 drug products. The term includes drug products listed in the New  
9 Jersey Generic Formulary by the Drug Utilization Review Council  
10 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

11 (e) "mail-order pharmacy" means the mail order program  
12 available through the carrier.

13 (f) "preferred brands" means brand name prescription drug  
14 products and insulin determined by the carrier to be more cost  
15 effective alternative for prescription drug products and insulin with  
16 comparable therapeutic efficacy within a therapeutic class, as  
17 defined or recognized in the United States Pharmacopeia or the  
18 American Hospital Formulary Service Drug Information, or by the  
19 American Society of Health Systems Pharmacists. A drug product  
20 for which there is no other therapeutically equivalent drug product  
21 shall be a preferred brand. Determinations of preferred brands by  
22 the carrier shall be subject to review and modification by the  
23 commission.

24 (g) "retail pharmacy" means a pharmacy, drug store or other  
25 retail establishment in this State at which prescription drugs are  
26 dispensed by a registered pharmacist under the laws of this State, or  
27 a pharmacy, drug store or other retail establishment in another state  
28 at which prescription drug products are dispensed by a registered  
29 pharmacist under the laws of that state if expenses for prescription  
30 drug products dispensed at the pharmacy, drug store, or other retail  
31 establishment are eligible for payment under the School Employee  
32 Prescription Drug Plan.

33 (h) "other brands" means prescription drug products which are  
34 not preferred brands or generic drug products. A new drug product  
35 approved by the United States Food and Drug Administration which  
36 is not a generic drug product shall be included in this category until  
37 the carrier makes a determination concerning inclusion of the drug  
38 product in the list of preferred brands.

39 (2) (a) Employers that participate in the School Employees'  
40 Health Benefits Program may offer to their employees and eligible  
41 dependents:

42 (i) enrollment in the School Employee Prescription Drug Plan,  
43 or

44 (ii) enrollment in another free-standing prescription drug plan,  
45 or

46 (iii) election of prescription drug coverage under their health  
47 care coverage through the School Employees' Health Benefits  
48 Program plan or as otherwise determined by the commission.

**Chapter 78, P.L. 2011**

1 (b) A co-payment shall be required for each prescription drug  
2 expense if the employer chooses to participate in the School  
3 Employee Prescription Drug Plan. The initial amounts of the co-  
4 payments shall be the same as those in effect on July 1, 2007 for the  
5 employee prescription drug plan offered through the State Health  
6 Benefits Program.

7 (c) If the employer elects to offer a free-standing prescription  
8 drug plan, the employee's share of the cost for this prescription drug  
9 plan may be determined by means of a binding collective  
10 negotiations agreement, including any agreements in force at the  
11 time the employer commences participation in the School  
12 Employees' Health Benefits Program.

13 (d) If an employee declines the employer's offering of a free-  
14 standing prescription drug plan, no reimbursement for prescription  
15 drugs shall be provided under the health care coverage through the  
16 School Employees' Health Benefits Program plan in which the  
17 employee is enrolled.

18 (e) Prescription drug classifications that are not eligible for  
19 coverage under the employer's prescription drug plan shall also not  
20 be eligible for coverage under the health care coverage through the  
21 School Employees' Health Benefits Program plan except as  
22 federally or State mandated.

23 (f) If the employer elects to not offer a free-standing  
24 prescription drug plan, then the employer shall offer prescription  
25 drug coverage under the health care coverage through the School  
26 Employees' Health Benefits Program plan or as determined by the  
27 commission. Any plan that has in-network and out-of-network  
28 coverage shall cover prescription drugs at 90% in-network and at  
29 the out-of-network rate applicable to health care coverage in the  
30 plan. The out-of-pocket amounts paid towards prescription drugs  
31 shall be combined with out-of-pocket medical payments to reach all  
32 out-of-pocket maximums.

33 (g) Health care coverages through the School Employees' Health  
34 Benefits Program that only have in-network benefits shall include a  
35 prescription card with co-payment amounts the same as those in  
36 effect on July 1, 2007 for such coverages offered through the State  
37 Health Benefits Program.

38 (h) In the fifth year following the initial appointment of all of its  
39 members, the commission shall, as part of the fifth year audit and  
40 review undertaken pursuant to section 40 of that act, review the  
41 prescription drug program established in this subsection and may  
42 make changes in the program pursuant to the terms of section 40 by  
43 majority vote of the full authorized membership of the commission.

44 g. Beginning January 1, 2012, the School Employees' Health  
45 Benefits Plan Design Committee shall provide to employees the  
46 option to select one of at least three levels of coverage each for  
47 family, individual, individual and spouse, and individual and  
48 dependent, or equivalent categories, for each plan offered by the

**Chapter 78, P.L. 2011**

1 program differentiated by out of pocket costs to employees  
2 including co-payments and deductibles. Notwithstanding any other  
3 provision of law to the contrary, the committee shall have the sole  
4 discretion to set the amounts for maximums, co-pays, deductibles,  
5 and other such participant costs for all plans in the program. The  
6 committee shall also provide for a high deductible health plan that  
7 conforms with the Internal Revenue Code Section 223.

8 There shall be appropriated annually for each State fiscal year,  
9 through the annual appropriations act, such amounts as shall be  
10 necessary as funding by the State with regard to retirees who have  
11 enrolled in a high deductible health plan that conforms with Internal  
12 Revenue Code Section 223.

13 (cf: P.L.2007, c.103, s.36)

14  
15 49. Section 37 of P.L.2007, c.103 (C.52:14-17.46.7) is amended  
16 to read as follows:

17 37. Beginning with the initial year of the School Employees'  
18 Health Benefits Program, the commission shall offer to  
19 participating employers and to qualified employees, retirees and  
20 dependents a managed care plan in which the office co-payment  
21 amount shall be \$10 per visit with a maximum out-of-pocket of  
22 \$400 per individual and \$1,000 per family for in-network services  
23 for each calendar year. The out-of-network deductible shall be \$100  
24 per individual and \$250 per family for each calendar year with the  
25 plan paying for 80% of reasonable and customary charges as  
26 defined herein up to an out-of-pocket maximum that shall not  
27 exceed \$2,000 per individual and \$5,000 per family for each  
28 calendar year.

29 In the successor plan, the in-network out-of-pocket payments  
30 shall count toward the out-of-network out-of-pocket maximums.  
31 Any lifetime maximum for out-of-network services shall not be less  
32 than any maximums in effect under the State Health Benefits  
33 Program as of July 1, 2007. There shall be no lifetime maximum for  
34 in-network services.

35 The carrier that administers the successor plan shall make  
36 available to the plan participants through in-network and out-of-  
37 network providers access to physicians and hospitals sufficient in  
38 geographic scope and number to provide access to health care  
39 services that is substantially equivalent to the access to health care  
40 services available through the State Health Benefits Program as of  
41 July 1, 2007.

42 Beginning with the initial year of the School Employees' Health  
43 Benefits Program, the commission shall be authorized to offer to  
44 participating employers and qualified employees, retirees and  
45 dependents managed care plans in which the in-network per visit  
46 charge shall not exceed \$15 per visit and the out of network  
47 reimbursement shall be 70% of reasonable and customary charges

## Chapter 78, P.L. 2011

98

1 as defined herein, provided the in-network and out-of-network  
2 maximums and deductibles do not exceed the limits set forth above.

3 The amounts of maximums, co-pays, deductibles, and other  
4 participant costs shall be reviewed, as part of the fifth year audit  
5 undertaken pursuant to section 40 of P.L.2007, c.103 (C.52:14-  
6 17.46.10). The commission shall make changes in such amounts  
7 pursuant to section 40 by majority vote of the full authorized  
8 membership of the commission.

9 Beginning January 1, 2012, the School Employees' Health  
10 Benefits Plan Design Committee shall have the sole discretion to set  
11 the amounts for maximums, co-pays, deductibles, and other such  
12 participant costs for all plans offered in the program,  
13 notwithstanding any other provision of law to the contrary.

14 "Reasonable and customary charges" means, for any out-of-  
15 network payment made by a carrier, charges based upon the 90th  
16 percentile of the usual, customary, and reasonable (UCR) fee  
17 schedule determined by the Health Insurance Association of  
18 America or a similar nationally recognized database of prevailing  
19 health care charges.

20 Beginning with the initial year of the School Employees' Health  
21 Benefits Program, the commission shall offer to participating  
22 employers and qualified employees, retirees and dependents one or  
23 more health maintenance organization plans.

24 (cf: P.L.2007, c.103, s.37)

25

26 50. The Division of Pensions and Benefits in the Department of  
27 the Treasury shall conduct a study of: the risk impact of permitting  
28 employers to commence and to terminate participation in the State  
29 Health Benefits Program and the School Employees' Health  
30 Benefits Program; the long term sustainability of the programs;  
31 employee wellness programs; options for out-of-network cost  
32 containment; and the impact on the programs of the provisions of  
33 P.L. , c. (C. ) (pending before the Legislature as this bill).  
34 The division shall conclude its study within one year following the  
35 effective date of P.L. , c. (pending before the Legislature as this  
36 bill) and submit a written report of its conclusions and  
37 recommendations to the Governor and the Legislature.

38

39 51. Section 44 of P.L.2007, c.62 (C.18A:16-19.1) is amended to  
40 read as follows:

41 44. Notwithstanding the provisions of any other law to the  
42 contrary, a board of education, or an agency or instrumentality  
43 thereof, may establish as an employer a cafeteria plan for its  
44 employees pursuant to section 125 of the federal Internal Revenue  
45 Code, 26 U.S.C. s.125, and shall establish such a plan for medical  
46 or dental expenses not covered by a health benefits plan. The plan  
47 **[may]** shall provide for a reduction in an employee's salary, through  
48 payroll deductions or otherwise, in exchange for payment by the

Chapter 78, P.L. 2011

1 employer of medical or dental expenses not covered by a health  
2 benefits plan, and may provide for a reduction in an employee's  
3 salary, through payroll deductions or otherwise, in exchange for  
4 payment by the employer of dependent care expenses as provided in  
5 section 129 of the code, 26 U.S.C. s.129, and such other benefits as  
6 are consistent with section 125 which are included under the plan.  
7 The amount of any reduction in an employee's salary for the  
8 purpose of contributing to the plan shall continue to be treated as  
9 regular compensation for all other purposes, including the  
10 calculation of pension contributions and the amount of any  
11 retirement allowance, but, to the extent permitted by the federal  
12 Internal Revenue Code, shall not be included in the computation of  
13 federal taxes withheld from the employee's salary.

14 (cf: P.L.2007, c.62, s.44)

15

16 52. Section 45 of P.L.2007, c.62 (C.40A:10-23.5) is amended to  
17 read as follows:

18 45. Notwithstanding the provisions of any other law to the  
19 contrary, a local unit of government, or an agency, board,  
20 commission, authority or instrumentality thereof, may establish as  
21 an employer a cafeteria plan for its employees pursuant to section  
22 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and  
23 shall establish such a plan for medical or dental expenses not  
24 covered by a health benefits plan. The plan ~~may~~ shall provide for  
25 a reduction in an employee's salary, through payroll deductions or  
26 otherwise, in exchange for payment by the employer of medical or  
27 dental expenses not covered by a health benefits plan, and may  
28 provide for a reduction in an employee's salary, through payroll  
29 deductions or otherwise, in exchange for payment by the employer  
30 of dependent care expenses as provided in section 129 of the code,  
31 26 U.S.C. s.129, and such other benefits as are consistent with  
32 section 125 which are included under the plan. The amount of any  
33 reduction in an employee's salary for the purpose of contributing to  
34 the plan shall continue to be treated as regular compensation for all  
35 other purposes, including the calculation of pension contributions  
36 and the amount of any retirement allowance, but, to the extent  
37 permitted by the federal Internal Revenue Code, shall not be  
38 included in the computation of federal taxes withheld from the  
39 employee's salary.

40 (cf: P.L.2007, c.62, s.45)

41

42 53. Section 7 of P.L.1996, c.8 (C.52:14-15.1a) is amended to  
43 read as follows:

44 7. Notwithstanding the provisions of any other law to the  
45 contrary, the State Treasurer on behalf of the State, and the  
46 governing body of an independent State authority, board,  
47 commission, corporation, agency or organization may establish as  
48 an employer a cafeteria plan for its employees pursuant to section

**Chapter 78, P.L. 2011**

100

1 125 of the federal Internal Revenue Code, 26 U.S.C.125, and shall  
2 establish such a plan for medical or dental expenses not covered by  
3 a health benefits plan. The plan [may] shall provide for a reduction  
4 in an employee's salary, through payroll deductions or otherwise, in  
5 exchange for payment by the employer of medical or dental  
6 expenses not covered by a health benefits plan, and may provide for  
7 a reduction in an employee's salary, through payroll deductions or  
8 otherwise, in exchange for payment by the employer of dependent  
9 care expenses as provided in section 129 of the code, 26 U.S.C.129,  
10 and such other benefits as are consistent with section 125 which are  
11 included under the plan. The amount of any reduction in an  
12 employee's salary for the purpose of contributing to the plan shall  
13 continue to be treated as regular compensation for all other  
14 purposes, including the calculation of pension contributions and the  
15 amount of any retirement allowance, but, to the extent permitted by  
16 the federal Internal Revenue Code, shall not be included in the  
17 computation of federal taxes withheld from the employee's salary.  
18 (cf: P.L.1996, c.8, s.7)

19

20 54. Section 39 of P.L.2007, c.103 (C.52:14-17.46.9) is amended  
21 to read as follows:

22 39. a. For each active covered employee and for the eligible  
23 dependents the employee may have enrolled at the employee's  
24 option, from funds appropriated therefor, the employer shall pay to  
25 the commission the premium or periodic charges for the benefits  
26 provided under the contract in amounts equal to the premium or  
27 periodic charges for the benefits provided under such a contract  
28 covering the employee and the employee's enrolled dependents.

29 b. The obligations of any employer to pay the premium or  
30 periodic charges for health benefits coverage provided under the  
31 School Employees' Health Benefits Program Act, sections 31  
32 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-  
33 17.46.11), may be determined by means of a binding collective  
34 negotiations agreement, including any agreement in force at the  
35 time the employer commences participation in the School  
36 Employees' Health Benefits Program. With respect to employees for  
37 whom there is no majority representative for collective negotiations  
38 purposes, the employer may, in its sole discretion, modify the  
39 respective payment obligations set forth in law for the employer and  
40 such employees in a manner consistent with the terms of any  
41 collective negotiations agreement binding on the employer.

42 Commencing on the effective date of P.L.2010, c.2 and upon the  
43 expiration of any applicable binding collective negotiations  
44 agreement in force on that effective date, employees shall pay 1.5  
45 percent of base salary, through the withholding of the contribution,  
46 for health benefits coverage provided under P.L.2007, c.103  
47 (C.52:14-17.46.1 et seq.), notwithstanding any other amount that  
48 may be required additionally pursuant to this subsection by means

Chapter 78, P.L. 2011

101

1 of a binding collective negotiations agreement or the modification  
2 of payment obligations.

3 c. There is hereby established a School Employee Health  
4 Benefits Program fund consisting of all contributions to premiums  
5 and periodic charges remitted to the State treasury by participating  
6 employers for employee coverage. All such contributions shall be  
7 deposited in the fund and the fund shall be used to pay the portion  
8 of the premium and periodic charges attributable to employee and  
9 dependent coverage.

10 d. Notwithstanding any law to the contrary and except as  
11 provided by amendment by P.L.2010, c.2, and by P.L. \_\_\_\_\_,  
12 c. (pending before the Legislature as this bill), the payment in  
13 full of premium or periodic charges for eligible retirees and their  
14 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-  
15 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section  
16 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without  
17 alteration or interruption and there shall be no premium sharing or  
18 periodic charges for certain school employees in retirement once  
19 they have met the criteria for vesting for pension benefits, which  
20 criteria for purposes of this subsection only shall mean the criteria  
21 for vesting in the Teachers' Pension and Annuity Fund. For  
22 purposes of this subsection, "premium sharing or periodic charges"  
23 shall mean payments by eligible retirees based upon a proportion of  
24 the premiums for health care benefits.

25 (cf: P.L.2010, c.2, s.6)

26

27 55. (New section) Whenever the State Health Benefits Plan  
28 Design Committee of the State Health Benefits Program or the  
29 School Employees' Health Benefits Plan Design Committee of the  
30 School Employees' Health Benefits Program fails to render a  
31 decision on a matter before the committee because it has not  
32 received a vote of the majority of the committee members after 60  
33 days have passed following the initial consideration of the matter,  
34 the committee shall utilize a super conciliator, randomly selected  
35 from a list developed by the New Jersey Public Employment  
36 Relations Commission. The super conciliator shall assist the  
37 committee based upon procedures and subject to qualifications  
38 established by the commission pursuant to regulation.

39 The super conciliator shall promptly schedule investigatory  
40 proceedings. The purpose of the proceedings shall be to:

41 Investigate and acquire all relevant information regarding the  
42 committee's failure to render a decision;

43 Discuss with the members of the committee their differences,  
44 and utilize means and mechanisms, including but not limited to  
45 requiring 24-hour per day negotiations, until a voluntary settlement  
46 is reached, and provide recommendations to resolve the members'  
47 differences; and

## Chapter 78, P.L. 2011

102

1 Institute any other non-binding procedures deemed appropriate  
2 by the super conciliator.

3 If the actions taken by the super conciliator fail to resolve the  
4 dispute, the super conciliator shall issue a final report, which shall  
5 be provided to the committee promptly and made available to the  
6 public within 10 days thereafter.

7 The super conciliator, while functioning in a mediatory capacity,  
8 shall not be required to disclose any files, records, reports,  
9 documents, or other papers classified as confidential which are  
10 received or prepared by him or to testify with regard to mediation  
11 conducted by him under this section. Nothing contained herein  
12 shall exempt an individual from disclosing information relating to  
13 the commission of a crime.

14

15 56. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to  
16 read as follows:

17 1. In accordance with the provisions of section 401 (a) (2) of  
18 the federal Internal Revenue Code, and subject to such exceptions  
19 as may be permitted for governmental plans under section 401 (a)  
20 (2) of the federal Internal Revenue Code, at no time prior to the  
21 satisfaction of all liabilities with respect to members and their  
22 beneficiaries under the Teachers' Pension and Annuity Fund,  
23 established pursuant to N.J.S.18A:66-1 et seq., the Judicial  
24 Retirement System, established pursuant to P.L.1973, c.140  
25 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established  
26 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public  
27 Employees' Retirement System, established pursuant to P.L.1954,  
28 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's  
29 Pension Fund, established pursuant to R.S.43:16-1 et seq., the  
30 Police and Firemen's Retirement System, established pursuant to  
31 P.L.1944, c.255 (C.43:16A-1 et seq.), the State Police Retirement  
32 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),  
33 [and] the Alternate Benefit Program, established pursuant to  
34 P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined  
35 Contribution Retirement Program, established pursuant to P.L.2007,  
36 c.92 (C.43:15C-1 et seq.), shall any part of the corpus or income of  
37 the respective retirement systems, within the taxable year or  
38 thereafter, be used for or diverted to purposes other than for the  
39 exclusive benefit of the members or their beneficiaries.

40 (cf: P.L.1997, c.113, s.1)

41

42 57. Section 2 of P.L.1997, c.113 (C.43:3C-9.2) is amended to  
43 read as follows:

44 2. Notwithstanding any law, rule or regulation to the contrary,  
45 the contributions to and benefits payable under the Teachers'  
46 Pension and Annuity Fund, the Judicial Retirement System, the  
47 Prison Officers' Pension Fund, the Public Employees' Retirement  
48 System, the Consolidated Police and Firemen's Pension Fund, the

Chapter 78, P.L. 2011

103

1 Police and Firemen's Retirement System, the State Police  
2 Retirement System [and], the Alternate Benefit Program, and the  
3 Defined Contribution Retirement Program shall not exceed the  
4 limitations provided under section 415 of the federal Internal  
5 Revenue Code. The Division of Pensions and Benefits in the  
6 Department of the Treasury shall be responsible for implementation  
7 and enforcement of these limitations.

8 (cf: P.L.1997, c.113, s.2)

9

10 58. Section 4 of P.L.1997, c.113 (C.43:3C-9.4) is amended to  
11 read as follows:

12 4. a. Notwithstanding any law, rule or regulation to the  
13 contrary, for members of the Alternate Benefit Program, the amount  
14 of compensation which may be used for employer and member  
15 contributions and benefits under the program after June 30, 1996  
16 shall not exceed the compensation limitation of section 401 (a) (17)  
17 of the federal Internal Revenue Code of 1986, (26 U.S.C. s.401 (a)  
18 (17)), as amended pursuant to section 13212 of the Omnibus Budget  
19 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as  
20 hereafter amended or supplemented, to the extent applicable to  
21 governmental plans. The provisions of this section shall not be  
22 applicable to members enrolled prior to July 1, 1996 if the employer  
23 of the members certifies to the Director of the Division of Pensions  
24 and Benefits, in the form and manner prescribed by the director,  
25 prior to July 1, 1997, that the employer will pay the additional cost  
26 for not applying the limit to the members.

27 b. Notwithstanding any law, rule or regulation to the contrary, for  
28 members of the Defined Contribution Retirement Program, the amount  
29 of compensation which may be used for employer and member  
30 contributions shall not exceed the compensation limitation of section  
31 401(a)(17) of the federal Internal Revenue Code of 1986 (26 U.S.C.  
32 s.401(a)(17)), as amended from time to time.

33 (cf: P.L.1997, c.113, s.4)

34

35 59. Section 41 of P.L.2007, c.92 (C.43:3C-9.6) is amended to  
36 read as follows:

37 41. a. Upon the termination of the Teachers' Pension and  
38 Annuity Fund, the Public Employees' Retirement System, the  
39 Judicial Retirement System, the Police and Firemen's Retirement  
40 System, the State Police Retirement System, the Prison Officers'  
41 Pension Fund, [or] the Consolidated Police and Firemen's Fund, the  
42 Alternate Benefit Program, or the Defined Contribution Retirement  
43 Program, or upon complete discontinuance of contributions to any  
44 of the retirement systems, the rights of all members of such  
45 retirement system to benefits accrued to the date of such  
46 termination or discontinuance, to the extent then funded, are non-  
47 forfeitable.

**Chapter 78, P.L. 2011**

104

1       b. Notwithstanding any law, rule or regulation to the contrary,  
2 the form and timing of all distributions from the Teachers' Pension  
3 and Annuity Fund, the Public Employees' Retirement System, the  
4 Judicial Retirement System, the Police and Firemen's Retirement  
5 System, the State Police Retirement System, the Prison Officers'  
6 Pension Fund, [or] the Consolidated Police and Firemen's Fund, the  
7 Alternate Benefit Program, or the Defined Contribution Retirement  
8 Program, to a member, or to the beneficiary of a member if the  
9 member dies before the member's entire interest has been  
10 distributed, shall conform to the required distribution provisions of  
11 section 401(a)(9) of the federal Internal Revenue Code and the  
12 regulations issued by the United States Department of the Treasury  
13 under that Code section, including the incidental death benefit  
14 requirements of section 401(a)(9)(G) of the federal Internal  
15 Revenue Code. In addition, in no event shall payments under any  
16 of the retirement systems commence to be paid to a member later  
17 than the member's required beginning date, without regard to  
18 whether the member has filed application therefor. For this  
19 purpose, a member's required beginning date is the April 1 of the  
20 calendar year following the later of (1) the calendar year in which  
21 the member attains age 70 1/2 or (2) the calendar year in which the  
22 member retires. The actuarial adjustment described in section  
23 401(a)(9)(C)(iii) of the federal Internal Revenue Code shall not  
24 apply.

25 (cf: P.L.2007, c.92, s.41)

26

27       60. (New section) a. Notwithstanding any law, rule or  
28 regulation to the contrary, the Teachers' Pension and Annuity Fund,  
29 established pursuant to N.J.S.18A:66-1 et seq., the Judicial  
30 Retirement System, established pursuant to P.L.1973, c.140  
31 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established  
32 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public  
33 Employees' Retirement System, established pursuant to P.L.1954,  
34 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's  
35 Pension Fund, established pursuant to R.S.43:16-1 et seq., the  
36 Police and Firemen's Retirement System, established pursuant to  
37 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police  
38 Retirement System, established pursuant to P.L.1965, c.89  
39 (C.53:5A-1 et seq.), are established as qualified governmental  
40 defined benefit plans pursuant to sections 401(a) and 414(d) of the  
41 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and  
42 414(d)), as amended, or such other provision of the federal Internal  
43 Revenue Code, as applicable, regulations of the U.S. Treasury  
44 Department, and other guidance of the federal Internal Revenue  
45 Service.

46       b. Notwithstanding any law, rule or regulation to the contrary, the  
47 Alternate Benefit Program, established pursuant to P.L.1969, c.242  
48 (C.18A:66-167 et seq.), and the Defined Contribution Retirement

## Chapter 78, P.L. 2011

105

1 Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.)  
2 are established as qualified governmental defined contribution plans  
3 pursuant to sections 401(a) and 414(d) of the federal Internal Revenue  
4 Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such  
5 other provision of the federal Internal Revenue Code, as applicable,  
6 regulations of the U.S. Treasury Department, and other guidance of the  
7 federal Internal Revenue Service.

8 c. Notwithstanding the provisions of any law, rule or regulation  
9 to the contrary, the Director of the Division of Pensions and  
10 Benefits in the Department of the Treasury shall be authorized to  
11 modify the provisions of the foregoing retirement plans, when a  
12 modification is required to maintain the qualified status of the  
13 retirement plans under the Internal Revenue Code of 1986,  
14 applicable regulations of the U.S. Treasury Department or other  
15 guidance of the federal Internal Revenue Service. Notwithstanding  
16 the provisions of the Administrative Procedure Act, P.L.1968, c.410  
17 (C.52:14B-1 et seq.), the director may modify the provisions of the  
18 foregoing retirement plans, when a modification is required to  
19 maintain the qualified status of the retirement plans by  
20 promulgating a rule or regulation which shall be effective upon  
21 filing with the Office of Administrative Law.

22

23 61. (New section) a. A member shall be fully vested in his or her  
24 accumulated contributions at all times.

25 b. A member shall be fully vested in his or her service  
26 retirement benefit upon the attainment of normal retirement age  
27 under the retirement system and the completion of any required  
28 years of service. Normal retirement age means the age established  
29 by regulation consistent with statute.

30 c. In conformity with section 401(a)(8) of the federal Internal  
31 Revenue Code (26 U.S.C. s.401(c)(8)), any forfeitures of benefits  
32 by members or former members of the plan shall not be applied to  
33 increase the benefits any member would otherwise receive under  
34 the plan.

35

36 62. (New section) Notwithstanding any law, rule or regulation  
37 to the contrary, the Teachers' Pension and Annuity Fund, the  
38 Judicial Retirement System, the Prison Officers' Pension Fund, the  
39 Public Employees' Retirement System, the Consolidated Police and  
40 Firemen's Pension Fund, the Police and Firemen's Retirement  
41 System, the State Police Retirement System, the Alternate Benefit  
42 Program, and the Defined Contribution Retirement Program shall be  
43 administered in accordance with the rollover requirements of  
44 section 401(a)(31) of the federal Internal Revenue Code (26 U.S.C.  
45 s.401(a)(31)).

46

47 63. (New section) Effective December 12, 1994,  
48 notwithstanding any other provision of the retirement system law,

**Chapter 78, P.L. 2011**

106

1 contributions, benefits and service credit with respect to qualified  
2 military service are governed by section 414(u) of the federal  
3 Internal Revenue Code (26 U.S.C. s.414(u)) and the Uniformed  
4 Services Employment and Reemployment Rights Act of 1994 (38  
5 U.S.C. s.4301 et seq.).

6  
7 64. (New section) Effective as of July 1, 1989, a retirement  
8 board, or a member of such board, shall not engage in a transaction  
9 prohibited by section 503(b) of the federal Internal Revenue Code  
10 (26 U.S.C. s.503(b)).

11  
12 65. (New section) Each retirement system may participate under  
13 Section 401(a)(24) of the federal Internal Revenue Code in a  
14 qualified group trust that meets the requirements of Section 401(a)  
15 of the federal Internal Revenue Code (26 U.S.C. s.401(a)(24)) in  
16 accordance with Revenue Ruling 81-100, as amended by Revenue  
17 Ruling 2004-67 and Revenue Ruling 2011-1.

18  
19 66. (New section) a. Post-employment benefits other than pensions  
20 under the State Health Benefits Program, P.L.1961, c.49 (C.52:14-  
21 17.25 et seq.), for retired employees, and their dependents, of  
22 employers other than the State that are participating in the State Health  
23 Benefits Program pursuant to section 3 of P.L.1964, c.125 (C.52:14-  
24 17.34), as non-State participating employers, shall be funded and paid  
25 by means of contributions to a separate trust fund. For the purposes of  
26 this section, the term "post-employment benefits other than pensions"  
27 means post-employment benefits including, but not limited to, health,  
28 dental and vision care, which give rise to a liability under Statement  
29 No. 43 of the Governmental Accounting Standards Board, Reporting  
30 for Postemployment Benefit Plans Other Than Pension Plans, and  
31 Statement No. 45 of the Governmental Accounting Standards Board,  
32 Accounting and Financial Reporting by Employers for  
33 Postemployment Benefits Other Than Pensions, together, GASB  
34 43/45, as amended from time to time, or any successor publication.  
35 For purposes of this section, and notwithstanding anything to the  
36 contrary, the term "non-State participating employers" is limited only  
37 to entities that are a political subdivision of the State, as defined in  
38 federal Treas. Reg. s. 1.103-1(b), or entities the income of which is  
39 excluded from gross income under section 115 of the Internal Revenue  
40 Code of 1986 (26 U.S.C. s.115), as amended. For purposes of this  
41 section, the term "dependent" or "dependents" means a dependent as  
42 defined under section 152 of the Internal Revenue Code of 1986 (26  
43 U.S.C. s.152), as amended, without regard to subsections (b)(1),  
44 (b)(2), or (d)(1)(B) thereof, of a retired employee.

45 b. There is hereby established the State of New Jersey Other Post-  
46 Employment Benefits (OPEB) Fund, which is intended to qualify as an  
47 instrumentality of the State or a political subdivision of the State under  
48 section 115 of the Internal Revenue Code of 1986 (26 U.S.C. s.115),

**Chapter 78, P.L. 2011**

1 as amended. The assets of the OPEB Fund shall be used only to fund  
2 and pay post-employment benefits other than pensions, and the  
3 reasonable cost of administering such benefits, with respect to eligible  
4 retired employees, and their dependents, of non-State participating  
5 employers, and deposits and contributions to the OPEB Fund shall be  
6 irrevocable except as specifically provided in subsection i. of this  
7 section. The OPEB Fund shall be a trust, trust account or custodial  
8 account, the assets of which shall be deemed an arrangement  
9 equivalent to a trust for all legal purposes, and shall be established by  
10 means of appropriate documentation so as to be exempt from taxation  
11 under the provisions of applicable federal and State tax law, which  
12 shall contain such terms and conditions as are required to comply with  
13 all State and federal law including but not limited to the following:

14 (1) The OPEB Fund shall provide no guaranty that payments or  
15 reimbursements to employees, former employees, retirees, spouses or  
16 beneficiaries will be tax-free.

17 (2) In the event that the OPEB Fund has obtained a ruling from the  
18 Internal Revenue Service concerning only the federal tax treatment of  
19 the OPEB Fund's income, that ruling may not be cited or relied upon  
20 by any non-State participating employer as precedent concerning any  
21 matter relating to the non-State participating employer's health plans,  
22 including post-retirement health plans. In particular, that ruling shall  
23 have no effect on whether contributions to the non-State participating  
24 employer's health plans or payments from the non-State participating  
25 employer's health plans, including reimbursements of medical  
26 expenses, are excludable from the gross income of employees, former  
27 employees or retirees, under the Internal Revenue Code of 1986, as  
28 amended.

29 (3) The federal income tax consequences to employees, former  
30 employees and retirees shall depend on the terms and operation of the  
31 non-State participating employer's health plans.

32 c. The assets of the OPEB Fund shall be segregated from all other  
33 funds of the State and the non-State participating employers,  
34 including without limitation the fund described in section 48 of  
35 P.L.2007, c.103 (C.52:14-17.32a1), and shall be invested and  
36 administered solely in the interest of retired employees, and their  
37 dependents, of non-State participating employers entitled to post-  
38 employment benefits other than pensions provided by the State Health  
39 Benefits Program. However, the OPEB Fund may be invested in a  
40 group trust established pursuant to section 401(a)(24) of the Internal  
41 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended. Neither  
42 the State, the State Legislature, the State Health Benefits Commission,  
43 the Treasurer of the State of New Jersey, the Division of Pensions and  
44 Benefits in the Department of the Treasury, nor any public officer,  
45 employee or agency, nor service provider to the OPEB Fund, shall use  
46 or authorize the use of assets contributed to the OPEB Fund, or the  
47 investment earnings thereon, for any purpose other than the provision  
48 of post-employment benefits other than pensions in accordance with

## Chapter 78, P.L. 2011

108

1 the terms of the State Health Benefits Program applicable to retired  
2 employees, and their dependents, of non-State participating employers,  
3 and the defraying of the reasonable costs of administering the OPEB  
4 Fund and the benefits provided by means of the OPEB Fund. The  
5 assets constituting the OPEB Fund shall under no circumstances be  
6 subject to assignment or alienation in favor of the creditors of the State  
7 or any non-State participating employer, or of the individuals or  
8 entities that administer the State Health Benefits Program or the OPEB  
9 Fund. Private parties' interests shall neither materially participate in  
10 the OPEB Fund nor benefit more than incidentally from the operation  
11 or earnings of the OPEB Fund.

12 d. The Director of the Division of Pensions and Benefits shall  
13 serve as the administrator of the OPEB Fund. The Director of the  
14 Division of Investment as trustee shall have the authority to adopt a  
15 trust agreement, to receive and hold all moneys in the OPEB Fund, and  
16 to disburse the same in accordance with instructions from the fund  
17 administrator. The Director of the Division of Investment shall have  
18 the authority to invest and reinvest the moneys in the OPEB Fund and  
19 to acquire for or on behalf of the OPEB Fund such investments in  
20 accordance with the standards governing the investment of other funds  
21 managed by the Director of the Division of Investment under the rules  
22 and regulations of the State Investment Council. The State, the  
23 Division of Pensions and Benefits, the State Treasurer, the Division of  
24 Investment, and the State Investment Council, and their respective  
25 officers and employees, shall not be liable for any loss incurred by the  
26 OPEB Fund.

27 e. The fund administrator or the trustee may select and contract  
28 with custodians, record keepers, actuaries and other consultants, and  
29 other service providers with respect to the administration of the OPEB  
30 Fund, and may delegate to such persons or entities, or to any person  
31 within the Department of the Treasury, any of their duties and  
32 responsibilities. The Director of the Division of Investment may select  
33 and contract with investment managers, investment advisors and other  
34 service providers with respect to the investment of the OPEB Fund,  
35 and may delegate to such persons or entities, or to any person within  
36 the Division of Investment, any of its duties and responsibilities.

37 f. The fund administrator shall, with the assistance of a qualified  
38 actuary, determine a funding policy for the OPEB Fund and may  
39 promulgate rules and procedures with respect to the administration and  
40 funding of the OPEB Fund. The fund administrator, with the  
41 assistance of a qualified actuary, shall annually measure and determine  
42 an amount for the annual "other post-employment benefits" cost of  
43 providing benefits for the retirees and their dependents of each non-  
44 State participating employer in the State Health Benefits Program  
45 based on the "annual required cost" (ARC) for providing such benefits  
46 determined in accordance with applicable standards under GASB  
47 43/45. The fund administrator shall report the OPEB cost for each  
48 non-State participating employer to such employer on an annual basis.

**Chapter 78, P.L. 2011**

1 g. The fund administrator, with the assistance of a qualified  
2 actuary, shall annually determine, and the fund administrator shall  
3 approve, the aggregate contribution to the OPEB Fund to fund post-  
4 employment benefits other than pensions under the terms of the State  
5 Health Benefit Program, which shall be the amount necessary to pay  
6 the anticipated premiums or periodic charges for the benefits for the  
7 following annual valuation period, with respect to all non-State  
8 employers participating in the OPEB Fund. The fund administrator  
9 shall determine and approve the rate or rates to be charged to non-State  
10 participating employers as contributions by such employers to the  
11 OPEB Fund, based on such allocable amounts of the above-described  
12 aggregate contribution and such other factors as the fund administrator  
13 shall determine with respect to the setting of such rates.

14 h. Deposits to the OPEB Fund shall be made by each non-State  
15 participating employer in the amounts specified by the fund  
16 administrator. Deposits to the OPEB Fund by each non-State  
17 participating employer shall be segregated in a separate account for  
18 recordkeeping purposes from the deposits from all other non-State  
19 participating employers in the OPEB Fund. Such deposits may be  
20 commingled for purposes of investment, but the fund administrator  
21 shall provide record keeping to establish the deposits allocable to each  
22 non-State participating employer and shall periodically report the  
23 value of the separate accounts to the applicable non-State participating  
24 employers. Investment earnings attributable to the OPEB Fund shall  
25 be determined on an aggregate basis for all non-State participating  
26 employers. A non-State participating employer shall not make a  
27 deposit to the OPEB Fund if the total amount invested with respect to  
28 that employer would exceed such employer's actuarially determined  
29 liability for post-employment benefits other than pensions due to its  
30 employees, as determined under the applicable standards of GASB  
31 43/45.

32 i. In the event that, following the satisfaction in full of all  
33 liabilities for post-employment benefits other than pensions to  
34 retired employees, and their dependents, of non-State participating  
35 employers, there remain undistributed assets of the OPEB Fund,  
36 such assets shall be distributed in the manner determined by the  
37 fund administrator, provided that in no event shall such assets be  
38 distributed to, or used for the purpose of paying benefits for, the  
39 active or retired employees of an entity that is not a State, a political  
40 subdivision of the State or an entity the income of which is  
41 excluded from gross income under section 115 of the Internal  
42 Revenue Code of 1986 (26 U.S.C. s.115), as amended.

43  
44 67. (New section) With respect to the portion of the alternate  
45 benefit program, P.L.1969, c.242 (C.18A:66-167 et seq.), that is  
46 subject to section 403(b) of the federal Internal Revenue Code (26  
47 U.S.C. s. 403(b)), the State may terminate the 403(b) portion of

Chapter 78, P.L. 2011

110

1 alternate benefit program only as permitted by the applicable  
2 regulations of the United States Department of the Treasury.

3

4 68. Section 2 of P.L.1963, c.123 (C.52:18A-108) is amended to  
5 read as follows:

6 2. As used in this act:

7 a. "Fiscal year" means any year commencing on July 1 and  
8 ending on June 30 next following.

9 b. "Participant" means (1) for the purposes of the Supplemental  
10 Annuity Collective Trust under section 4 of P.L.1965, c.90 (C.52:18A-  
11 113.1), any member of a State administered retirement system, who  
12 has elected to make voluntary additional contributions to the  
13 Supplemental Annuity Collective Trust, or for whom an employer  
14 has agreed to purchase an annuity from the Supplemental Annuity  
15 Collective Trust as hereinafter provided; or (2) for the purposes of  
16 the Additional Contributions Tax-Sheltered Program under section 1  
17 of P.L.1995, c.92 (C.52:18A-113.2), means any employee of the  
18 Department of Education, the Commission on Higher Education, the  
19 governing body of any public institution of education, or any public  
20 school, as defined in N.J.S.18A:1-1, regularly scheduled to work 20  
21 or more hours per week who has elected to make voluntary  
22 additional contributions to the Supplemental Annuity Collective  
23 Trust, or for whom an employer has agreed to purchase an annuity  
24 from the Supplemental Annuity Collective Trust as hereinafter  
25 provided. An employee regularly works less than 20 hours per  
26 week if, for the 12-month period beginning on the date the  
27 employee's employment commenced, the employee's employer  
28 reasonably expects the employee to work fewer than 1,000 hours of  
29 service, as defined under section 410(a)(3)(C) of the Internal  
30 Revenue Code of 1986 (26 U.S.C. s.410(a)(3)(C)), as amended, and,  
31 for each plan year ending after the close of that 12-month period,  
32 the employee has worked fewer than 1,000 hours of service.

33 c. "State administered retirement system" means any of the  
34 following retirement plans: Public Employees' Retirement System  
35 of New Jersey established pursuant to chapter 84, P.L.1954;  
36 Teachers' Pension and Annuity Fund established pursuant to chapter  
37 37, P.L.1955; Police and Firemen's Retirement System of New  
38 Jersey established pursuant to chapter 255, P.L.1944; Consolidated  
39 Police and Firemen's Pension Fund established pursuant to chapter  
40 358, P.L.1952; Prison Officers' Pension Fund established pursuant  
41 to chapter 220, P.L.1941; and State Police Retirement and  
42 Benevolent Fund established pursuant to chapter 188, P.L.1925.  
43 (cf: P.L.1965, c.90, s.1)

44

45 69. Section 6 of P.L.1963, c.123 (C.52:18A-112) is amended to  
46 read as follows:

47 6. A member of a State administered retirement system or an  
48 employee of a board of education, as defined in N.J.S.18A:1-1,

Chapter 78, P.L. 2011

111

1 regularly scheduled to work 20 or more hours per week may  
2 become a participant by filing an application for enrollment in  
3 either the Variable Division or the Fixed Division, or both, in  
4 accordance with rules and regulations established by the council.  
5 An employee regularly works less than 20 hours per week if, for the  
6 12-month period beginning on the date the employee's employment  
7 commenced, the employee's employer reasonably expects the  
8 employee to work fewer than 1,000 hours of service, as defined under  
9 section 410(a)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C.  
10 s.410(a)(3)(C)), and, for each plan year ending after the close of that  
11 12-month period, the employee has worked fewer than 1,000 hours of  
12 service.

13 (cf: P.L.1963, c.123, s.6)

14

15 70. Section 1 of P.L.1995, c.92 (C.52:18A-113.2) is amended to  
16 read as follows:

17 1. a. The Department of Education, the Commission on Higher  
18 Education, and the governing body of any public institution of  
19 [higher] education may enter into a written agreement with any of  
20 its employees to reduce the employee's annual salary for the  
21 purpose of investing in a tax-deferred annuity for the employee  
22 pursuant to section 403(b) of the federal Internal Revenue Code of  
23 [1954] 1986 (26 U.S.C. s.403(b)), as amended. Investments shall  
24 be (1) with an insurer or mutual fund company authorized to  
25 provide investment contracts under the alternate benefit program;  
26 (2) in investment contracts authorized under the program for  
27 supplemental retirement benefits which meet the requirements of  
28 section 403(b) of the federal Internal Revenue Code (26 U.S.C.  
29 s.403(b)), as amended; and (3) on the same terms and conditions  
30 provided for participants in the alternate benefit program.

31 b. An agreement (1) shall specify the amount and the effective  
32 date of the reduction; (2) shall be subject to filing with and approval  
33 by the State Treasurer or filing with and approval by the governing  
34 body of the institution of public higher education, as appropriate;  
35 and (3) shall be legally binding and irrevocable with respect to the  
36 amounts earned while the agreement is in effect. The total amount  
37 of the reduction in an employee's salary pursuant hereto, for any  
38 calendar year, shall not exceed the lesser of (a) the applicable dollar  
39 amount or (b) the participant's Includible Compensation for the  
40 calendar year. Includible Compensation is an employee's actual wages  
41 in box 1 of Form W-2 for a year for services to the employer, but  
42 subject to a maximum of \$200,000, or such higher maximum as may  
43 apply under section 401(a)(17) of the federal Internal Revenue Code  
44 (26 U.S.C. s.401(a)(17), and increased up to the dollar maximum by  
45 any compensation reduction election under section 125, 132(f), 401(k),  
46 403(b), or 457(b) of the federal Internal Revenue Code (26 U.S.C.  
47 s.125, 132(f), 401(k), 403(b), or 457(b)). The amount of Includible  
48 Compensation is determined without regard to any community

## Chapter 78, P.L. 2011

112

1 property laws. The applicable dollar amount is the amount established  
2 under section 402(g)(1)(B) of the federal Internal Revenue Code (26  
3 U.S.C. s.402(g)(1)(B)), which is \$16,500 for 2011, and is adjusted for  
4 cost-of-living after 2011 to the extent provided under section 415(d) of  
5 the federal Internal Revenue Code (26 U.S.C. s.415(d)). The total  
6 amount of the reduction in an employee's salary pursuant hereto, for  
7 any calendar year, when added to the contributions made in the year  
8 on behalf of the employee in accordance with section 7 of P.L.1963,  
9 c.123 (C.52:18A-113), exceed the limitations set forth in [Pub.L.93-  
10 406 (Employment Retirement Income Security Act of 1974) and]  
11 section 415 (c) of the federal Internal Revenue Code (26  
12 U.S.C.s.415 (c)). For the purposes of this section, if the participant is  
13 or has been a participant in one or more other plans under section  
14 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), and  
15 any other plan that permits elective deferrals under section 402(g) of  
16 the federal Internal Revenue Code (26 U.S.C. s.402(g)), then this plan  
17 and all such other plans shall be considered as one plan for purposes of  
18 applying the foregoing limitations.

19 c. An agreement may be terminated at any time upon written  
20 notice by either the employee or the employer. Termination shall  
21 take effect at the beginning of the payroll period whose first day is  
22 nearest to the 30th day following the day on which notification of  
23 termination was (1) received by the employer, in the event  
24 termination is initiated by the employee, or (2) sent to the  
25 employee, in the event termination is initiated by the employer.

26 d. Amounts payable pursuant to this section by an employer on  
27 behalf of an employee for a payroll period shall be transmitted and  
28 credited not later than the fifth business day after the date on which  
29 the employee is paid for that pay period.

30 e. The plan described in subsection a. of this section shall be  
31 known as the New Jersey Additional Contributions Tax-Sheltered  
32 Program.

33 (cf: P.L.1999, c.247, s.4)

34

35 71. Section 2 of P.L.1995, c.92 (C.52:18A-113.3) is amended to  
36 read as follows:

37 2. Upon approval and filing, the State Treasurer or the  
38 applicable governing body of a public institution of [higher]  
39 education shall reduce an employee's salary pursuant to the  
40 agreement and shall pay an amount equal to the amount agreed  
41 upon for the salary reduction as an employer contribution to the  
42 issuer of the employee's annuity. Participation in a reduction of  
43 salary pursuant to this act shall not cause the employee to lose any  
44 benefits under a State-administered retirement system to which the  
45 employee would otherwise be entitled had the employee not agreed  
46 to a reduction in salary for the purpose of purchasing a tax-deferred  
47 annuity. Employee contributions and any survivor's benefit shall be

Chapter 78, P.L. 2011

113

1 paid on the basis of the employee's salary without regard to the  
2 reduction authorized by this act.

3 (cf: P.L.1995, c.92, s.2)

4

5 72. Section 3 of P.L.1995, c.92 (C.52:18A-113.4) is amended to  
6 read as follows:

7 3. Payments for tax-deferred annuities shall be made by the  
8 State Treasurer or the applicable governing body of a public  
9 institution of [higher] education to the issuers of the annuities out of  
10 moneys available for the salaries of employees who have entered  
11 into agreements pursuant to this act.

12 (cf: P.L.1995, c.92, s.3)

13

14 73. Section 1 of P.L.1996, c.77 (C.52:18A-113.6) is amended to  
15 read as follows:

16 1. Employees of the Department of Education, the Commission  
17 on Higher Education, or the governing body of any public  
18 institution of [higher] education who are participants in the  
19 Supplemental Annuity Collective Trust pursuant to section 403(b)  
20 of the federal Internal Revenue Code of [1954] 1986 (26 U.S.C.  
21 s.403(b)), as amended, [may :

22 a.] shall transfer all [or a portion of any] funds that they may  
23 have invested as participants in the Supplemental Annuity  
24 Collective Trust to a tax-deferred annuity with an insurer or mutual  
25 fund company authorized to provide investment contracts under the  
26 alternate benefit program pursuant to the provisions of P.L.1995,  
27 c.92 (C.52:18A-113.2 et seq.) [; or

28 b. transfer all or a portion of any funds that they may have  
29 invested in a tax-deferred annuity with any authorized provider to  
30 the Supplemental Annuity Collective Trust].

31 (cf: P.L.1996, c.77, s.1)

32

33 74. Section 9 of P.L.1963, c.123 (C.52:18A-115) is amended to  
34 read as follows:

35 9. The assets of the Variable Division shall be invested and  
36 reinvested principally in common stocks and securities which are  
37 convertible into common stocks. Such common stocks and  
38 securities shall be [restricted to those listed] traded on a securities  
39 exchange in the United States or over-the-counter market.

40 (cf: P.L.1963, c.123, s.9)

41

42 75. (New section) With respect to the portion of the  
43 Supplemental Annuity Collective Trust that is subject to section  
44 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), the  
45 State may terminate the Supplemental Annuity Collective Trust as  
46 provided in this section.

47 a. The State enacted P.L.1963, c.123 (C.52:18A-107 et seq.)  
48 with the intention and expectation that contributions would be

## Chapter 78, P.L. 2011

114

1 continued to the Supplemental Annuity Collective Trust program  
2 indefinitely. The State, however, has no obligation or liability  
3 whatsoever to maintain the program for any length of time and may  
4 discontinue contributions under the program at any time without  
5 any liability hereunder for any discontinuance.

6 b. The State reserves the authority to amend or terminate the  
7 Supplemental Annuity Collective Trust program at any time and for  
8 any reason.

9 c. The State may provide that, in connection with a termination  
10 of the program, all accounts will be distributed, provided that the  
11 State and any related employer on the date of termination do not  
12 make contributions to an alternative plan or program subject to the  
13 rules under section 403(b) of the Internal Revenue Code of 1986  
14 (26 U.S.C. s.403(b)), as amended, that is not part of the program  
15 during the period beginning on the date of termination and ending  
16 12 months after the distribution of all assets from the Supplemental  
17 Annuity Collective Trust program, except as permitted by the  
18 applicable regulations of the United States Department of the  
19 Treasury.

20

21 76. (New section) a. As used in this section:

22 “emergency care” means immediate treatment provided in  
23 response to a sudden, acute and unanticipated medical crisis in  
24 order to avoid injury, impairment, or death.

25 “in-State health care provider” means an individual or entity,  
26 including, but not limited to, a physician or other health care  
27 professional licensed pursuant to Title 45 of the Revised Statutes,  
28 and a hospital or other health care facility licensed pursuant to Title  
29 26 of the Revised Statutes that is not an out-of-State health care  
30 provider.

31 “out-of-State health care provider” means an individual or entity  
32 providing health care services at a location outside the geographic  
33 boundaries of this State.

34 “primary care” means the provision of preventive, diagnostic,  
35 treatment, management, and reassessment services to individuals in  
36 facilities providing family practice, general internal medicine,  
37 general pediatrics, and routine obstetrics/gynecology.

38 “reasonably proximate” means a geographic distance from the  
39 covered person's place of residence that does not exceed 25 miles.

40 “tertiary care” means specialized care performed by specialists  
41 working in an inpatient or outpatient facility for special  
42 investigation and treatment of complex diseases or conditions.

43 b. Notwithstanding the provisions of any other law to the  
44 contrary, a carrier which offers health benefits coverage under the  
45 State Health Benefits Program, School Employees’ Health Benefits  
46 Program, or any self-insured plan or plan offered to public  
47 employees or retirees outside the State Health Benefits Program or  
48 the School Employees’ Health Benefits Program, to an employee or

**Chapter 78, P.L. 2011**

1 retiree and any dependent eligible for such health care benefits  
2 coverage, shall only provide coverage for medically necessary  
3 health care services provided by an out-of-State health care provider  
4 as specified in subsection c. of this subsection, except for coverage  
5 authorized pursuant to subsection f. or g. of this section.

6 c. Medically necessary tertiary health care services may be  
7 performed by an out-of-State specialty or subspecialty health care  
8 provider when there is no in-State health care provider reasonably  
9 available to treat the particular condition based on an expedited  
10 determination by the carrier and the State Health Benefits  
11 Commission, the School Employees' Health Benefits Commission  
12 or the plan administrator, as the case may be, in consultation with  
13 the Department of Health and Senior Services, that such service is  
14 not otherwise available through an in-State health care provider or  
15 where there is no in-network provider who is reasonably proximate  
16 to the covered person's place of residence.

17 d. (1) The out-of-State health care provider shall receive  
18 reimbursement for out-of-network charges at the lesser of the  
19 contractual rate or a rate equal to 150% of the Medicare fee  
20 schedule for those same services.

21 (2) The employee or retiree shall be responsible for the entire  
22 balance of the out-of-State health provider's charges that exceed the  
23 applicable out-of-network reimbursement.

24 e. The carrier shall establish preauthorization or review  
25 requirements of the health benefits plan regarding the determination  
26 of medical necessity for the employee, retiree, or covered dependent  
27 to access out-of-State benefits, as set forth in writing pursuant to  
28 section 5 of P.L.1997, c.192 (C.26:2S-5), with which the covered  
29 person shall comply as a condition of receiving benefits pursuant to  
30 this section.

31 f. This section shall not apply to: (1) emergency care; (2)  
32 primary care; (3) an employee, retiree, or covered dependent who  
33 has his or her principal residence outside of this State or is enrolled  
34 as a full-time student at a school located outside this State and  
35 resides outside this State while attending that school, or (4) such  
36 other unusual and compelling circumstance determined by the State  
37 Health Benefits Commission, School Employees' Health Benefits  
38 Commission or the plan administrator, as the case may be, in  
39 consultation with the Department of Health and Senior Services,  
40 that warrants an individualized exception from the requirements of  
41 this section. For the purposes of this subsection, a person will be  
42 deemed to have his principal residence outside this State if all of the  
43 following conditions are met: the person spends the majority of his  
44 or her nonworking time outside the State, and resides at a location  
45 outside the State which is clearly the center of his or her domestic  
46 life, and has designated the out-of-State residence as his or her legal  
47 address and legal residence for voting.

Chapter 78, P.L. 2011

1 g. This section shall not apply to cases when it is medically  
2 necessary for the employee, retiree, or covered dependent to  
3 continue current treatment with the out-of-State health care provider  
4 or under the following circumstances: (1) in cases of the pregnancy  
5 through the postpartum evaluation, up to six weeks after delivery;  
6 (2) in the case of post-operative care, up to six months following  
7 the surgical procedure; (3) in the case of oncological treatment, up  
8 to one year following the first date of treatment; and (4) in the case  
9 of psychiatric treatment, up to one year following the first date of  
10 treatment.

11 h. Notwithstanding the provisions of another law to the  
12 contrary, the State Health Benefits Plan Design Committee, the  
13 School Employees' Health Benefits Plan Design Committee, and  
14 any public employer shall provide to employees the option to select  
15 a single plan that shall not limit coverage for medically necessary  
16 health care services provided by an out-of-State health care provider  
17 pursuant to this section. Each employee or retiree who selects  
18 coverage under the plan shall pay the additional portion of the  
19 premium or periodic charge associated with selecting a plan that  
20 does not limit coverage for medically necessary health care services  
21 provided by an out-of-State health care provider for health care  
22 benefits provided to the employee, retiree, and dependents covered  
23 under the plan.

24 i. This section shall be operative January 1, 2012.

25

26 77. (New section) A public employer and employees who are in  
27 negotiations for the next collective negotiations agreement to be  
28 executed after the employees in that unit have reached full  
29 implementation of the premium share set forth in section 39 of  
30 P.L. , c. (C. ) (pending before the Legislature as this bill)  
31 shall conduct negotiations concerning contributions for health care  
32 benefits as if the full premium share was included in the prior  
33 contract. The public employers and public employees shall remain  
34 bound by the provisions of sections 39, 40, and 43 of P.L. , c.  
35 (C. ) (pending before the Legislature as this bill), notwithstanding  
36 the expiration of those sections, until the full amount of the  
37 contribution required by section 39 has been implemented in  
38 accordance with the schedule set forth in section 40.

39 Employees subject to any collective negotiations agreement in  
40 effect on the effective date of P.L. , c. (pending before the  
41 Legislature as this bill), that has an expiration date on or after the  
42 expiration of sections 39 through 44, inclusive, of P.L. , c. (C. )  
43 (pending before the Legislature as this bill), shall be subject, upon  
44 expiration of that collective negotiations agreement, to sections 39, 40,  
45 and 43 until the health care contribution schedule set forth in section  
46 40 is fully implemented.

47 After full implementation, those contribution levels shall become  
48 part of the parties' collective negotiations and shall then be subject to

**Chapter 78, P.L. 2011**

1 collective negotiations in a manner similar to other negotiable items  
2 between the parties.

3 A public employee whose amount of contribution in retirement  
4 was determined in accordance with section 40 or 43 shall be  
5 required to contribute in retirement the amount so determined  
6 pursuant to section 40 or 43 notwithstanding that section 40 or 43  
7 has expired, with the retirement allowance, and any future cost of  
8 living adjustment thereto, used to identify the percentage of the cost  
9 of coverage.

10

11 78. (New section) A public employer and employees who are in  
12 negotiations for the next collective negotiations agreement to be  
13 executed after the employees in that unit have reached full  
14 implementation of the premium share set forth in section 39 of  
15 P.L. , c. (C. )(pending before the legislature as this bill) shall  
16 conduct negotiations concerning contributions for health care  
17 benefits as if the full premium share was included in the prior  
18 contract. The public employers and public employees shall remain  
19 bound by the provisions of sections 39 and 41 of P.L. , c. (C. )  
20 (pending before the Legislature as this bill), notwithstanding the  
21 expiration of those sections, until the full amount of the  
22 contribution required by section 39 has been implemented in  
23 accordance with the schedule set forth in section 41.

24 Employees subject to any collective negotiations agreement in  
25 effect on the effective date of P.L. , c. (pending before the  
26 Legislature as this bill), that has an expiration date on or after the  
27 expiration of sections 39 through 44, inclusive, of P.L. , c. (C. )  
28 (pending before the Legislature as this bill), shall be subject, upon  
29 expiration of that collective negotiations agreement, to sections 39 and  
30 41 until the health care contribution schedule set forth in section 41 is  
31 fully implemented.

32 After full implementation, those contribution levels shall become  
33 part of the parties' collective negotiations and shall then be subject to  
34 collective negotiations in a manner similar to other negotiable items  
35 between the parties.

36

37 79. (New section) A public employer and employees who are in  
38 negotiations for the next collective negotiation agreement to be  
39 executed after the employees in that unit have reached full  
40 implementation of the premium share set forth in section 39 of  
41 P.L. , c. (C. ) (pending before the Legislature as this bill) shall  
42 conduct negotiations concerning contributions for health care  
43 benefits as if the full premium share was included in the prior  
44 contract. The public employers and public employees shall remain  
45 bound by the provisions of sections 39, 42, and 44 of P.L. ,  
46 c. (C. ) (pending before the Legislature as this bill),  
47 notwithstanding the expiration of those sections, until the full  
48 amount of the contribution required by section 39 has been

**Chapter 78, P.L. 2011**

1 implemented in accordance with the schedule set forth in section  
2 42.

3 Employees subject to any collective negotiations agreement in  
4 effect on the effective date of P.L. , c. (pending before the  
5 Legislature as this bill), that has an expiration date on or after the  
6 expiration of sections 39 through 44, inclusive, of P.L. , c. (C. )  
7 (pending before the Legislature as this bill), shall be subject, upon  
8 expiration of that collective negotiations agreement, to sections 39, 42,  
9 and 44 until the health care contribution schedule set forth in section  
10 42 is fully implemented.

11 After full implementation, those contribution levels shall become  
12 part of the parties' collective negotiations and shall then be subject to  
13 collective negotiations in a manner similar to other negotiable items  
14 between the parties.

15 A public employee whose amount of contribution in retirement  
16 was determined in accordance with section 42 or 44 shall be  
17 required to contribute in retirement the amount so determined  
18 pursuant to section 42 or 44 notwithstanding that section 42 or 44  
19 has expired, with the retirement allowance, and any future cost of  
20 living adjustment thereto, used to identify the percentage of the cost  
21 of coverage.

22  
23 80. Notwithstanding any other provision of this amendatory and  
24 supplementary act, P.L. , c. (C. ) (pending before the  
25 Legislature as this bill) to the contrary, the increases in the  
26 employee contributions under the amendatory sections 8 through  
27 16, inclusive, and the contributions required under sections 39  
28 through 44, inclusive, shall begin upon the implementation of  
29 necessary administrative actions for collection and shall not be  
30 applied retroactively to this act's effective date. Nothing contained  
31 in this section shall affect the implementation of any other provision  
32 of this act.

33  
34 81. If any provision of P.L. , c. (C. ) (pending before the  
35 Legislature as this bill) or its application to any particular person or  
36 circumstance is held invalid, that provision or its application shall  
37 be severable and shall not affect the validity of other provisions or  
38 applications of this act.

39  
40 82. The following are repealed:  
41 Section 2 of P.L.1989, c.6 (C.52:14-17.28a);  
42 Section 1 of P.L.1985, c.414 (C.43:15A-47.2); and  
43 Section 1 of P.L.1999, c.96 (C.43:16A-5.1).

44

**Chapter 78, P.L. 2011**

119

1 83. This act shall take effect immediately, and sections 39  
2 through 44, inclusive, shall expire four years after the effective  
3 date.

4  
5  
6 **STATEMENT**

7  
8 This bill makes various changes to the manner in which the  
9 Teachers' Pension and Annuity Fund (TPAF), the Judicial  
10 Retirement System (JRS), the Public Employees' Retirement  
11 System (PERS), the Police and Firemen's Retirement System  
12 (PFRS), and the State Police Retirement System (SPRS) operate  
13 and to the benefit provisions of those systems.

14 The bill establishes new pension committees as follows:

15 one 8-member committee for the TPAF and one for the SPRS;

16 two 8-member committees in the PERS, one for the State part of  
17 the PERS and one for the local part of the PERS; and

18 two 10-member committees in the PFRS, one for the State part  
19 of the PFRS and one for the local part of the PFRS.

20 Half of the members of each committee will be appointed by the  
21 Governor to represent public employers and half appointed by  
22 certain unions whose members are in the retirement system. When  
23 a target funded ratio for the system or part of the system is  
24 achieved, each committee will have the discretionary authority to  
25 modify the: member contribution rate; formula for calculation of  
26 final compensation or final salary; fraction used to calculate a  
27 retirement allowance; age at which a member may be eligible and  
28 the benefits for service or early retirement; and benefits provided  
29 for disability retirement. A committee will not have authority to  
30 change the number of years required for vesting.

31 The term "target funded ratio" means a ratio of the actuarial  
32 value of assets against the actuarially determined accrued liabilities  
33 expressed as a percentage that will be 75 percent in State fiscal year  
34 2012, and increased annually by equal increments in each of the  
35 subsequent seven fiscal years, until the ratio reaches 80 percent at  
36 which it is to remain for all subsequent fiscal years.

37 The committees of these systems will have the authority to  
38 reactivate the cost of living adjustment on pensions and modify the  
39 basis for the calculation of the cost of living adjustment and set the  
40 duration and extent of the activation. A committee must give  
41 priority consideration to the reactivation of the cost of living  
42 adjustment.

43 The State House Commission will have the same authority with  
44 regard to JRS.

45 Each committee may also hire actuaries and consultants.

46 The bill establishes a process using a super conciliator to resolve  
47 an impasse on a decision or matter regarding benefits before any of

## Chapter 78, P.L. 2011

120

1 the newly established committees in the TPAF, PERS, PFRS, and  
2 SPRS.

3 With regard to employee benefits, the bill provides for increases  
4 in the employee contribution rates: from 5.5% to 6.5% plus an  
5 additional 1% phased-in over 7 years beginning in the first year,  
6 meaning after 12 months, after the bill's effective date for TPAF  
7 and PERS (including legislators, Law Enforcement Officer (LEO)  
8 members, and workers compensation judges); from 3% to 12% for  
9 JRS phased-in over seven years; from 8.5% to 10% for PFRS  
10 members and members of PERS Prosecutors Part; and from 7.5% to  
11 9% for SPRS members. New members of TPAF and PERS will  
12 need 30 years of creditable service and age 65 for receipt of the  
13 early retirement benefit without a reduction of 1/4 of 1% for each  
14 month that the member is under age 65. TPAF and PERS members  
15 enrolled before November 1, 2008 are eligible for a service  
16 retirement benefit at age 60 and members enrolled on or after that  
17 date are eligible at age 62. New members will be eligible for a  
18 service retirement benefit at age 65. A new PFRS member's special  
19 retirement benefit will be 60% of final compensation, plus 1% of  
20 final compensation multiplied by the number of years of creditable  
21 service over 25 but not over 30, instead of the current benefit of  
22 65% of final compensation plus 1% for each year of service over 25  
23 but not over 30.

24 The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which  
25 provide that a member of PERS or PFRS may retire while holding  
26 an elective public office covered by PERS or PFRS and continue to  
27 receive the full salary for that office, if the member's PERS or  
28 PFRS retirement allowance is not based solely on service in the  
29 elected public office. It also provides that the PFRS or PERS  
30 retirees who were granted a retirement allowance under those  
31 sections prior to the bill's effective date and are currently in an  
32 elective office covered by either of those systems may continue to  
33 receive their pension benefit and salary for the elective office.

34 Under the bill, the automatic cost-of-living adjustment will no  
35 longer be provided to current and future retirees and beneficiaries,  
36 unless it is reactivated as permitted by the bill.

37 For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the  
38 method for the amortization of the system's unfunded liability.

39 One section of the bill provides that each member of the TPAF,  
40 JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and  
41 Firemen's Pension Fund, PFRS, and SPRS will have a contractual  
42 right to the annual required contribution made by the employer or  
43 by any other public entity. The contractual right to the annual  
44 required contribution means that the employer or other public entity  
45 must make the annual required contribution on a timely basis to  
46 help ensure that the retirement system is securely funded and that  
47 the retirement benefits to which the members are entitled by statute  
48 and in consideration for their public service and in compensation

## Chapter 78, P.L. 2011

121

1 for their work will be paid upon retirement. The failure of the State  
2 or any other public employer to make the annually required  
3 contribution will be deemed to be an impairment of the contractual  
4 right of each employee. The Superior Court, Law Division will  
5 have jurisdiction over any action brought by a member of any  
6 system or fund or any board of trustees to enforce the contractual  
7 right set forth in this bill. The State and other public employers will  
8 submit to the jurisdiction of the Superior Court, Law Division and  
9 will not assert sovereign immunity in such an action. If a member  
10 or board prevails in litigation to enforce the contractual right set  
11 forth in this bill, the court may award that party their reasonable  
12 attorney's fees.

13 That section also provides that the rights reserved to the State in  
14 current law to alter, modify, or amend such retirement systems and  
15 funds, or to create in any member a right in the corpus or  
16 management of a retirement system or pension fund, cannot  
17 diminish the contractual right of employees established by this bill.

18 In addition, the bill increases the membership of the State  
19 Investment Council from 13 to 16 members. It eliminates one  
20 representative from the SPRS, but adds one member from the State  
21 Troopers Fraternal Association. Two additional members are  
22 appointed by the Governor with the advice and consent of the  
23 Senate, and one additional appointment is added to the current one  
24 by the Governor from persons nominated by Public Employee  
25 Committee of the New Jersey State AFL-CIO, specifying that one  
26 of the two will be a representative of a police officers' or  
27 firefighters' union. The bill also provides that an elected member,  
28 as opposed to any member, of the boards of trustees for TPAF,  
29 PERS and PFRS will be eligible for designation to serve on the  
30 State Investment Council.

31 This bill requires all public employees and certain public retirees  
32 to contribute toward the cost of health care benefits coverage based  
33 upon a percentage of the cost of coverage.

34 Under the bill, all active public employees will pay a percentage  
35 of the cost of health care benefits coverage for themselves and any  
36 dependents. However, lower compensated employees will pay a  
37 smaller percentage and more highly compensated employees will  
38 pay a higher percentage. In addition, the applicable percentage will  
39 vary based upon whether the employee has family, individual, or  
40 member with child or spouse coverage. The rates gradually  
41 increase based on an employee's compensation, at intervals of  
42 \$5,000. These rates will be phased in over several years for  
43 employees employed on the contribution's effective date who will  
44 pay  $\frac{1}{4}$ ,  $\frac{1}{2}$ , and  $\frac{3}{4}$  of the amount of the contribution rate during the  
45 first, second and third years, respectively, meaning during the three  
46 12-month periods after the contribution rates become effective. The  
47 bill establishes a "floor" for employee contributions so that no  
48 employee will pay an amount that is less than 1.5% of the

1 employee's compensation. Employees who pay for health care  
2 benefits coverage based upon a percentage of the cost of coverage  
3 will not also be required to pay the minimum contribution of 1.5%  
4 of compensation, as provided by other laws. The contribution will  
5 commence on the bill's effective date for certain public employees  
6 and upon the expiration of a collective negotiation agreement for  
7 others.

8 Similar provisions in the bill apply to retirees of the State,  
9 employers other than the State, and units of local government who  
10 accrue 25 years of service after the bill's effective date, or on or  
11 after the expiration of an applicable collective bargaining agreement  
12 in effect on that date, and retire after that, who will be required to  
13 contribute a percentage of the cost of health care benefits coverage  
14 in retirement, but as based on their retirement benefit. These  
15 provisions will not apply to public employees who have 20 or more  
16 year of service in one or more State or locally-administered  
17 retirement systems. A 1.5% "floor", for those retirees to whom the  
18 1.5% contribution in current law applies, will also be applicable to  
19 these retirees.

20 The bill allows boards of education and units of local  
21 government, that do not participate in the SHBP or SEHBP, to enter  
22 into contracts for health care benefits coverage, as may be required  
23 to implement a collective negotiations agreement, and agree to  
24 different employee contribution rates if certain cost savings in the  
25 aggregate over the period of the agreement can be demonstrated.  
26 The savings must be certified to the Department of Education or the  
27 Department of Community Affairs, as appropriate. The  
28 departments are to approve or reject the certification, within 30  
29 days of receipt. The certification is deemed approved if not rejected  
30 within that time. The agreement cannot be executed until that  
31 approval is received or the 30 day period has lapsed, whichever  
32 occurs first.

33 The provisions concerning contributions for health care benefits  
34 will expire four years after the effective date.

35 A public employer and employees who are in negotiations for the  
36 next collective negotiations agreement to be executed after the  
37 employees in that unit have reached full implementation of the  
38 premium share set forth in the bill must conduct negotiations  
39 concerning contributions for health care benefits as if the full  
40 premium share was included in the prior contract. The public  
41 employers and public employees will remain bound by the health  
42 care contribution provisions of the bill, notwithstanding the  
43 expiration of those sections, until the full amount of the  
44 contribution has been implemented in accordance with the schedule  
45 set forth in the bill.

46 Employees subject to any collective negotiations agreement in  
47 effect on the effective date of the bill, that has an expiration date on or  
48 after the expiration of the health care contribution provisions of the

## Chapter 78, P.L. 2011

123

1 bill, will be subject to those provisions, upon expiration of that  
2 collective negotiations agreement, until the health care contribution  
3 schedule set forth in the bill is fully implemented.

4 After full implementation, those contribution levels will become  
5 part of the parties' collective negotiations and will then be subject to  
6 collective negotiations in a manner similar to other negotiable items  
7 between the parties.

8 A public employee whose amount of contribution in retirement  
9 was determined in accordance with the expired sections of law will  
10 be required to contribute the amount so determined in retirement,  
11 notwithstanding that the law has expired, with the retirement  
12 allowance, and any future cost of living adjustment thereto, used to  
13 identify the percentage of the cost of coverage.

14 The increased employee contributions under the bill for pension  
15 benefits and the contributions for health care benefits will begin  
16 upon the implementation of necessary administrative actions for  
17 collection and will not be applied retroactively to this bill's  
18 effective date.

19 The bill also creates two new committees, one for the State  
20 Health Benefits Program and one for the School Employees' Health  
21 Benefits Program and confers on the committees the responsibility  
22 for plan design. Half of the committee members will be appointed  
23 by the Governor to represent public employers and half by certain  
24 unions who represent public employees in the State.

25 The bill requires the committees for both programs to set the  
26 amounts for maximums, co-pays, deductibles, and other such  
27 participant costs; provide employees with the option to select one  
28 level of at least three levels of coverage each for family, individual,  
29 individual and spouse, and individual and dependent, or equivalent  
30 categories, for each plan offered by the program differentiated by  
31 out of pocket costs to employees including with regard to co-  
32 payments and deductibles; and provide for a high deductible health  
33 plan that conforms to the Internal Revenue Code Section 223.

34 The bill contains a section, to begin January 1, 2012, to limit  
35 coverage for certain medically necessary tertiary health care  
36 services performed by certain out of State health care providers.

37 The bill repeals a provision of law that provides that the State  
38 Health Benefits Commission must not enter into a contract for the  
39 benefits provided pursuant to the contract in effect on October 1,  
40 1988, including, but not limited to, basic benefits, extended basic  
41 benefits, and major medical benefits unless the level of benefits  
42 provided under the contract entered into is equal to or exceeds the  
43 level of benefits provided for in the contract in effect on October 1,  
44 1988, or unless the benefits in effect on October 1, 1988 are  
45 modified by an authorized collective bargaining agreement made on  
46 behalf of the State.

47 Various provisions of the bill contain a number of changes to the  
48 law that are necessary to maintain the qualified plan status of the

**Chapter 78, P.L. 2011**

124

1 retirement systems under the federal Internal Revenue Code; for  
2 compliance with Statements Nos. 43 and 45 of the Governmental  
3 Accounting Standards Board, Accounting and Financial Reporting  
4 by Employers for Postemployment Benefits Other Than Pensions  
5 (GASB 43/45); and to bring the defined contribution plans into  
6 compliance with U.S. Department of Treasury regulations affecting  
7 administration of plans administered under section 403(b) of the  
8 Internal Revenue Code. Modifications pertaining to the  
9 Supplemental Annuity Collective Trust are also being made by the  
10 bill.