

# Chapter 98, P.L. 2017

(Approved July 4, 2017)

[First Reprint]

## SENATE, No. 3312

# STATE OF NEW JERSEY

## 217th LEGISLATURE

INTRODUCED JUNE 15, 2017

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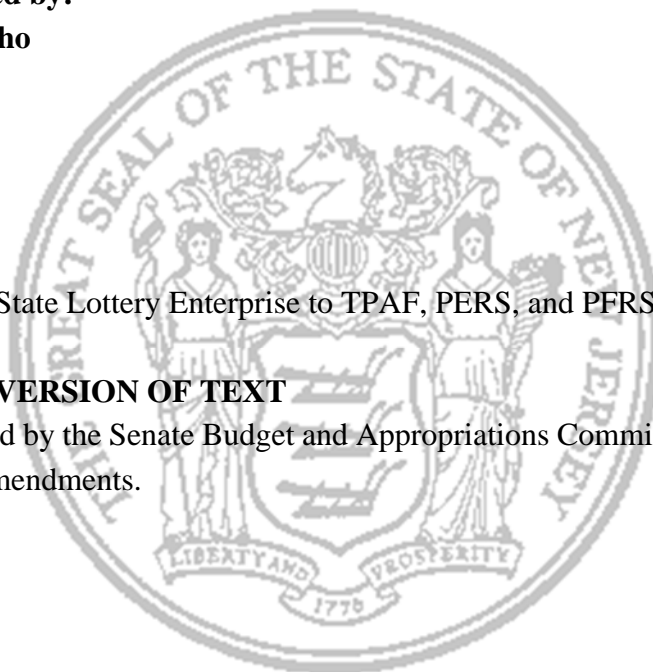
**Senator Oroho**

**SYNOPSIS**

Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

**CURRENT VERSION OF TEXT**

As reported by the Senate Budget and Appropriations Committee on June 26, 2017, with amendments.



(Sponsorship Updated As Of: 6/30/2017)

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1 AN ACT concerning the contribution of the Lottery Enterprise to  
2 certain State-administered retirement systems to benefit State  
3 institutions and provide State aid to education, amending various  
4 parts of the statutory law, and supplementing P.L.1970, c.13  
5 (C.5:9-1 et seq.).  
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:  
9

10 1. (New section) This act shall be known and may be cited as the  
11 "Lottery Enterprise Contribution Act."  
12

13 2. (New section) The Legislature finds and declares that:

14 a. The State Lottery, as established by and operated pursuant to  
15 Article IV, Section VII, paragraph 2 of the Constitution of the State  
16 of New Jersey and the "State Lottery Law," P.L.1970, c.13 (C.5:9-1  
17 et seq.), is a valuable asset of the State of New Jersey.

18 b. The Lottery Enterprise has been and is a business-like entity,  
19 consisting of all of the assets, properties, interests, and rights of every  
20 nature and kind, tangible and intangible, of the State useful or  
21 necessary to operate the State Lottery.

22 c. The Division of the State Lottery in the Department of the  
23 Treasury is constantly evolving the brand, marketing, and game  
24 offerings of the Lottery Enterprise in order to retain existing players  
25 and attract new ones.

26 d. The Lottery Enterprise, as operated by the Division of the  
27 State Lottery, is recognized as one of the most profitable and well-  
28 operated lotteries in the United States and the world. The division  
29 operates the Lottery Enterprise in a manner that is consonant with the  
30 dignity of the State and general welfare of its people, as demonstrated  
31 by the division having earned the highest level of achievement in  
32 responsible gaming, and having received the Best Innovation in  
33 Responsible Gambling Award from the World Lottery Association in  
34 November 2016.

35 e. The continued operation, management, conduct, and control  
36 of the Lottery Enterprise by the Division of the State Lottery is  
37 necessary for the Lottery Enterprise to remain operating at these high  
38 standards, consistent with the "State Lottery Law," P.L.1970, c.13  
39 (C.5:9-1 et seq.), and with applicable federal law.

40 f. The Teachers' Pension and Annuity Fund, the Public  
41 Employees' Retirement System, and the Police and Firemen's  
42 Retirement System are established as qualified governmental defined  
43 benefit plans pursuant to sections 401(a) and 414(d) of the federal  
44 Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as  
45 amended, and exempt under section 501(a) of the federal Internal

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

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

**<sup>1</sup>Senate SBA committee amendments adopted June 26, 2017.**

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1 Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended, and such  
2 other provision of the federal Internal Revenue Code, as applicable,  
3 regulations of the United States Department of the Treasury, and  
4 other guidance of the federal Internal Revenue Service, and this act,  
5 P.L. , c. (C. ) (pending before the Legislature as this bill). The  
6 contribution of the Lottery Enterprise to these retirement systems is  
7 intended to comply with all requirements of the federal Internal  
8 Revenue Code governing the tax qualified status of the retirement  
9 systems, and this act shall at all times be applied and construed in a  
10 manner consistent with all such requirements.

11 g. The members of the Teachers' Pension and Annuity Fund are  
12 serving or have served as teachers, educators, and administrators in  
13 the schools of this State and are eligible members of the retirement  
14 system, and contributing the Lottery Enterprise for their benefit  
15 pursuant to this act constitutes State aid for education within the  
16 meaning of Article IV, Section VII, paragraph 2 of the State  
17 Constitution.

18 h. Some of the members of the Public Employees' Retirement  
19 System are serving or have served as employees of State institutions  
20 defined in R.S.30:1-7, but excluding adult or juvenile correctional  
21 facilities or institutions, or are serving or have served as employees  
22 of public institutions of higher education, and are eligible members  
23 of the retirement system, and contributing the Lottery Enterprise for  
24 their benefit pursuant to this act constitutes support for State  
25 institutions and State aid for education within the meaning of Article  
26 IV, Section VII, paragraph 2 of the State Constitution.

27 i. Some of the members of the Police and Firemen's Retirement  
28 System are serving or have served as employees of State institutions  
29 defined in R.S.30:1-7, but excluding adult or juvenile correctional  
30 facilities or institutions, or are serving or have served as employees  
31 of public institutions of higher education, and are eligible members  
32 of the retirement system, and contributing the Lottery Enterprise for  
33 their benefit pursuant to this act constitutes support for State  
34 institutions and State aid for education within the meaning of Article  
35 IV, Section VII, paragraph 2 of the State Constitution.

36 j. The New Jersey Supreme Court has recognized the  
37 compelling need for action to solve the tenuous state of New Jersey's  
38 pension funding, observing that "the State must get its financial  
39 house in order."

40 k. The New Jersey Pension and Health Benefit Study  
41 Commission emphasized the dire condition of the public employee  
42 pension systems, which continues to be a matter of grave concern for  
43 public employees, retirees, their families, and all of the residents of  
44 this State. The commission found that "by any measure, the amount  
45 of the unfunded liability is grievous."

46 l. The contribution of the Lottery Enterprise to the retirement  
47 systems pursuant to and in the manner contemplated by this act is in  
48 the public interest in alleviating the underfunded status of such  
49 retirement systems.

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1 m. The State, pursuant to a competitive process, engaged an  
2 independent valuation service provider to conduct a review and due  
3 diligence of the Lottery Enterprise, including its cash flows,  
4 operating history, legal structure, and projections, and the  
5 independent valuation service provider issued a report which  
6 represents its opinion as to the valuation of the Lottery Enterprise.

7 n. The allocable percentages established in section 5 of this act  
8 were determined based on: (1) the relative percentages of the total  
9 actuarial accrued liabilities of the retirement systems; (2) the relative  
10 percentages of the total actuarial accrued liabilities of the eligible  
11 member portions of such retirement systems; (3) the relative  
12 percentages of the total unfunded actuarially accrued liabilities of the  
13 retirement systems; (4) the relative percentages of the total unfunded  
14 actuarially accrued liabilities of the eligible member portions of such  
15 retirement systems; (5) the relative percentages of the total number  
16 of members in each retirement system; and (6) the relative  
17 percentages of eligible members participating in each such retirement  
18 system.

19 o. Following the lottery contribution, the Division of the State  
20 Lottery will operate, manage, conduct, and control the Lottery  
21 Enterprise with a goal of maximizing net proceeds for the benefit of  
22 the retirement systems, consonant with the dignity of the State and  
23 general welfare of its people.  
24

25 3. (New section) As used in this act, P.L. , c. (C. ) (pending  
26 before the Legislature as this bill):

27 "Adult or juvenile correctional facilities or institutions" means  
28 adult or juvenile correctional facilities or institutions as defined  
29 pursuant to section 8 of P.L.1976, c.98 (C.30:1B-8).

30 "Eligible members" means:

31 (1) individuals who are serving or who have served in positions  
32 eligible for participation in the Teachers' Pension and Annuity Fund;

33 (2) individuals who are serving or who have served in positions  
34 eligible for participation in the Public Employees' Retirement System  
35 and who are serving or have served as employees of State institutions  
36 '[defined] described or listed' in R.S.30:1-7 <sup>1</sup>, State institutions no  
37 longer in operation as identified by the State Treasurer,<sup>1</sup> or any  
38 facilities, institutions, or veterans homes established for any similar  
39 purpose, but excluding adult or juvenile correctional facilities or  
40 institutions, or who are serving or have served as employees of public  
41 institutions of higher education; and

42 (3) individuals who are serving or who have served in positions  
43 eligible for participation in the Police and Firemen's Retirement  
44 System and who are serving or have served as employees of State  
45 institutions '[defined] described or listed' in R.S.30:1-7 <sup>1</sup>, State  
46 institutions no longer in operation as identified by the State  
47 Treasurer,<sup>1</sup> or any facilities, institutions, or veterans homes  
48 established for any similar purpose, but excluding adult or juvenile

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1 correctional facilities or institutions, or who are serving or have  
2 served as employees of public institutions of higher education.

3 "Lottery Enterprise" means the lottery established pursuant to the  
4 "State Lottery Law," P.L.1970, c.13 (C.5:9-1 et seq.), and all of the  
5 assets, properties, interests, and rights of every nature and kind,  
6 tangible and intangible, presently existing or acquired in the future,  
7 useful or necessary to operate the State Lottery, including, without  
8 limitation: inventory; supplies; equipment; furnishings; fixtures;  
9 computers and other electronic equipment; other personal property;  
10 real property and rights therein; trademarks and trademark  
11 applications; logos; trade names; patents and patent applications;  
12 other intellectual property rights; customer lists; going concern  
13 value; goodwill; sales records; copies of business books and records;  
14 monetary management systems; accounting systems; licenses;  
15 permits; contracts and contract rights; rights to take assignment of  
16 contracts and related receipts and revenues; accounts receivable;  
17 designs; technical data and information; sales materials; the right to  
18 merchandising in the State and to sell lottery products in the State;  
19 all accounts payable and liabilities related to the foregoing; and all  
20 ancillary or necessary appurtenances to the foregoing; provided,  
21 however, that Lottery Enterprise excludes all retained assets and  
22 retained liabilities.

23 "Retained assets" means those assets and rights of or related to the  
24 Lottery Enterprise that relate to the operation of the Lottery  
25 Enterprise necessary to satisfy liabilities arising on or prior to the  
26 lottery contribution effective date as specified in the Memorandum  
27 of Lottery Contribution under section 4 of this act, and cash,  
28 annuities, and other similar assets specified in the Memorandum of  
29 Lottery Contribution.

30 "Retained liabilities" means those liabilities, encumbrances, and  
31 obligations of or related to the Lottery Enterprise that relate to the  
32 operation of the Lottery Enterprise on or prior to the lottery  
33 contribution effective date as specified in the Memorandum of  
34 Lottery Contribution under section 4 of this act.

35 "Retirement systems" means one or more of the following  
36 governmental organizations within the meaning of 18 U.S.C.  
37 s.1307(a)(2)(A), as amended, and other applicable law:

38 (1) the Teachers' Pension and Annuity Fund, established pursuant  
39 to N.J.S.18A:66-1 et seq.;

40 (2) the Public Employees' Retirement System, established  
41 pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and

42 (3) the Police and Firemen's Retirement System, established  
43 pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

44 "Special asset" means the Lottery Enterprise, including the  
45 operations account but excluding the investment account.

46 "State institutions" means long-term care facilities, institutions,  
47 and psychiatric facilities of this State, as 'described or' listed in  
48 R.S.30:1-7 'and long-term care facilities, institutions, and psychiatric

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1 facilities of this State no longer in operation as identified by the State  
2 Treasurer'.

3

4 4. (New section) a. The State Treasurer shall make a  
5 contribution of the Lottery Enterprise for a period of 30 years for the  
6 benefit of the retirement systems, which shall be deposited in  
7 Common Pension Fund L in accordance with this act,  
8 P.L. , c. (C. ) (pending before the Legislature as this bill),  
9 and the Memorandum of Lottery Contribution required under this  
10 section.

11 b. The Division of the State Lottery shall operate, manage,  
12 conduct, and control the Lottery Enterprise with a goal of  
13 maximizing net proceeds for the benefit of the retirement systems,  
14 consonant with the dignity of the State and the general welfare of the  
15 people.

16 c. The lottery contribution shall be subject to (1) a royalty-free,  
17 exclusive license with all substantial rights including the right to  
18 sublicense, from Common Pension Fund L, established pursuant to  
19 section 6 of this act, to the Division of the State Lottery during the  
20 lottery contribution for all trademarks and trademark applications,  
21 logos, tradenames, and other intellectual property rights owned or  
22 used by or in connection with the Lottery Enterprise, whether  
23 existing on the effective date of this act or subsequently acquired or  
24 created; and (2) any existing licenses or sublicenses granted prior to  
25 the effective date of this act by the Division of the State Lottery to  
26 third parties for any and all trademarks and trademark applications,  
27 logos, tradenames, and other intellectual property rights owned or  
28 used by, or in connection with, the Lottery Enterprise.

29 d. The State Treasurer shall prepare, execute, and deliver the  
30 Memorandum of Lottery Contribution, and such certificates and  
31 other documents as the State Treasurer determines are consistent with  
32 this act and are reasonably necessary to evidence or effectuate the  
33 lottery contribution. The State Treasurer may amend or supplement  
34 the Memorandum of Lottery Contribution, including to correct  
35 deficiencies or errors therein.

36 e. The Memorandum of Lottery Contribution shall contain:

37 (1) the lottery contribution effective date;

38 (2) a transition period of up to 180 days and transition procedures  
39 reasonably necessary to ensure that operations of the Lottery  
40 Enterprise are not materially disrupted as a result of the lottery  
41 contribution;

42 (3) a detailed description or list of all of the assets and liabilities  
43 of the Lottery Enterprise;

44 (4) a description of the retained assets and retained liabilities; and

45 (5) such other provisions as the State Treasurer determines in the  
46 Treasurer's sole discretion are useful and necessary to make the  
47 lottery contribution in a manner consistent with this act.

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1 f. Notwithstanding the provisions of the "Administrative  
2 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the State  
3 Treasurer shall provide the Memorandum of Lottery Contribution to  
4 the Office of Administrative Law, and the Office of Administrative  
5 Law shall publish the Memorandum of Lottery Contribution in the  
6 New Jersey Register.

7 g. The retirement systems shall not be required or permitted to  
8 pay any expenses incurred by the State Treasurer, the Division of the  
9 State Lottery, or the Division of Investment in the Department of the  
10 Treasury in connection with the making of the lottery contribution  
11 pursuant to this act.

12 h. During the lottery contribution, all new assets acquired by or  
13 for the Lottery Enterprise shall be owned by Common Pension Fund  
14 L for the benefit of the retirement systems, except those assets,  
15 including licenses or similar rights in or to multistate lottery games,  
16 which may only be held, licensed, acquired, or procured by the  
17 Division of the State Lottery and which relate to the Lottery  
18 Enterprise, in which case such assets shall be held, licensed,  
19 acquired, or procured by the Division of the State Lottery on behalf  
20 of and for the benefit of Common Pension Fund L.

21 i. The Director of the Division of Investment shall acknowledge  
22 receipt of the lottery contribution to the retirement systems and of the  
23 Memorandum of Lottery Contribution, and shall deposit the lottery  
24 contribution into Common Pension Fund L.

25 j. Following the lottery contribution, the Division of the State  
26 Lottery shall operate, manage, conduct, and control the Lottery  
27 Enterprise in accordance with the "State Lottery Law," P.L.1970,  
28 c.13 (C.5:9-1 et seq.), and with applicable federal law, including the  
29 applicable requirements of the federal Internal Revenue Code.

30 k. At the expiration of the lottery contribution, the Lottery  
31 Enterprise, exclusive of all proceeds attributable to the operation of  
32 the Lottery Enterprise prior to the expiration of the lottery  
33 contribution, shall be returned to the Division of the State Lottery.  
34 Prior to that time, the State Treasurer shall, in coordination with the  
35 Division of Investment and the Division of the State Lottery, provide  
36 for and enter into any agreements or arrangements necessary or  
37 advisable for the orderly return of the Lottery Enterprise, exclusive  
38 of such proceeds, as provided in the Memorandum of Lottery  
39 Contribution. Such arrangements shall include a transition period of  
40 up to 180 days following the expiration of the lottery contribution,  
41 during which the proceeds of the Lottery Enterprise may continue to  
42 be deposited into the operations account established in section 6 of  
43 this act, and other transition arrangements reasonably necessary to  
44 ensure that operations of the Lottery Enterprise are not materially  
45 disrupted as a result of the expiration of the lottery contribution.

46 l. The State Treasurer shall execute the Memorandum of Lottery  
47 Contribution, and the Director of the Division of Investment shall  
48 acknowledge receipt of the lottery contribution, on or before  
49 December 31, 2017.

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5. (New section) a. For the purposes of this act, P.L. , c. (C. ) (pending before the Legislature as this bill), the Lottery Enterprise shall be valued at \$13,535,000,000, as that value was determined by the independent valuation service provider engaged by the State.

b. The lottery contribution and all proceeds of the Lottery Enterprise shall be allocated among the retirement systems in the allocable percentages as follows: 77.78 percent for the Teachers' Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq.; 21.02 percent for the Public Employees' Retirement System, established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and 1.20 percent for the Police and Firemen's Retirement System, established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.), which have been determined based on (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. Each retirement system shall have an initial equitable interest in Common Pension Fund L, established pursuant to section 6 of this act, equal to its allocable percentage of the entire lottery contribution made on its behalf.

6. (New section) a. In order to receive the lottery contribution on behalf of the retirement systems, a Common Pension Fund L is hereby established within the Division of Investment in the Department of the Treasury. Common Pension Fund L shall constitute part of each retirement system and the participating trust through which each retirement system is funded. Only the retirement systems and the trusts through which they are funded shall have an interest in Common Pension Fund L. Common Pension Fund L shall satisfy the requirements of section 401(a)(24) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-100, as amended by Revenue Ruling 2004-67 and Revenue Ruling 2011-1, and the requirements for exemption under section 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended. Consistent with section 401(a)(24) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended, regulations of the United States Department of the Treasury, and other guidance of the federal Internal Revenue Service, each retirement system shall participate in Common Pension Fund L.



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1 No part of the corpus or income of Common Pension Fund L that  
2 equitably belongs to a retirement system or a trust of the retirement  
3 system may be used for or diverted to any purpose other than for the  
4 exclusive benefit of the members or beneficiaries entitled to benefits  
5 under such retirement system or trust of the retirement system. No  
6 retirement system or trust of a retirement system may assign any part  
7 of its equity or interest in Common Pension Fund L.

8 b. Upon receipt of the lottery contribution, the Director of the  
9 Division of Investment shall:

10 (1) invest and manage all assets in the investment account;

11 (2) make distributions of proceeds and investment earnings  
12 thereon from the investment account into investment vehicles  
13 managed by the Division of Investment for the sole benefit of the  
14 retirement systems; and

15 (3) make distributions of proceeds and investment earnings  
16 thereon from the investment account to the retirement systems from  
17 Common Pension Fund L to be used by each retirement system for  
18 any legitimate purpose of such retirement system, provided that any  
19 distribution under this part (3) shall be made on a simultaneous and  
20 pro rata basis to the retirement systems, which pro rata basis shall be  
21 based on each retirement system's relative equitable interest in the  
22 lottery contribution.

23 c. Upon the establishment of Common Pension Fund L, there  
24 shall be established two subaccounts therein as the operations  
25 account and investment account for the following purposes.

26 (1) The gross proceeds of the Lottery Enterprise shall be  
27 deposited into an operations account. The Division of the State  
28 Lottery solely shall manage the operations account and shall make  
29 deposits therein, invest amounts therein, make requisition and  
30 payment for costs incurred in the operation and administration of the  
31 Lottery Enterprise, including reimbursements of funds used to pay  
32 such expenses, and payment for lottery sales agent commissions,  
33 certain prizes paid by lottery sales agents, costs resulting from any  
34 contract or contracts entered into for promotional, advertising, or  
35 operational services, or for the purchase or lease of lottery equipment  
36 and materials for the Lottery Enterprise therefrom, hold reserves for  
37 payment of prizes and other purposes related to the operation of the  
38 Lottery Enterprise, and otherwise manage the operations account. All  
39 proceeds of the Lottery Enterprise deposited in the operations  
40 account shall be qualified plan assets subject to the requirements of  
41 sections 401(a) and 501(a) of the federal Internal Revenue Code of  
42 1986 (26 U.S.C. ss.401(a) and 501(a)), as amended, but shall not be  
43 assets managed by the Division of Investment for the benefit of the  
44 retirement systems under N.J.S.18A:66-61, section 14 of P.L.1944,  
45 c.255 (C.43:16A-14), or section 32 of P.L.1954, c.84 (C.43:15A-32)  
46 until any such assets have been transferred from the operations  
47 account to the investment account.

48 (2) Proceeds in amounts determined by the Division of the State  
49 Lottery shall be transferred from the operations account to the

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1 investment account on a periodic basis and such proceeds shall  
2 constitute the net proceeds of the Lottery Enterprise. Such proceeds  
3 transferred together with all investments thereof and investment  
4 earnings thereon shall be available solely to and for the benefit of the  
5 retirement systems in the allocable percentages specified in section 5  
6 of this act, P.L. , c. (C. )(pending before the Legislature as this  
7 bill). The investment account shall be managed and invested by the  
8 Director of the Division of Investment pursuant to the authority,  
9 responsibilities, and duties set forth in P.L.1950, c.271 (C.52:18A-79  
10 et seq.), subject to the oversight of the State Investment Council,  
11 pursuant to the authority of P.L.1950, c.270 (C.52:18A-79 et seq.).  
12 The Director of the Division of Investment shall have full discretion  
13 to distribute proceeds and all investments thereof and investment  
14 earnings thereon from the investment account into investment  
15 vehicles managed by the Division of Investment on behalf of the  
16 retirement systems. The investment account may be further  
17 subdivided into subaccounts in the discretion of the Director of the  
18 Division of Investment for purposes of investing in different types of  
19 investments.

20 (3) Notwithstanding any provision of this act or any other  
21 provision of law to the contrary, the Director of the Division of  
22 Investment and the State Investment Council shall not have any  
23 responsibility for the operations account of Common Pension Fund  
24 L and shall not be liable for any claims, demands, suits, actions,  
25 damages, judgments, costs, charges, or expenses, including court  
26 costs or attorneys' fees in any way related to such account.  
27 Notwithstanding the establishment of Common Pension Fund L in  
28 the Division of Investment, the Director of the Division of  
29 Investment, the Division of Investment, and the State Investment  
30 Council shall not have any authority to manage the Lottery Enterprise  
31 or the operations account.

32 d. The portion of the lottery contribution allocated to each  
33 retirement system shall increase the funded ratio with respect to  
34 eligible members of such retirement system, provided, however, all  
35 amounts in the investment account, to the extent of the interest of  
36 each retirement system therein, may be distributed by the Director of  
37 the Division of Investment to the retirement systems from Common  
38 Pension Fund L and used by each retirement system for any  
39 legitimate purpose of such retirement system, provided that any such  
40 distribution shall be made on a simultaneous and pro rata basis to the  
41 retirement systems, which pro rata basis shall be based on each  
42 retirement system's relative equitable interest in the lottery  
43 contribution. For the purpose of this subsection, the funded ratio  
44 shall be the ratio of the actuarial value of assets plus the value of the  
45 special asset, determined in accordance with section 38 of P.L.2010,  
46 c.1 (C.43:3C-14), to the actuarially determined accrued liabilities  
47 expressed as a percentage.

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1       7. (New section) Nothing in this act, P.L. , c. (C. )  
2 (pending before the Legislature as this bill), shall be construed as a  
3 waiver of the sovereign immunity of the State or a relinquishment of  
4 the sovereign powers of the State. The Superior Court of New Jersey  
5 shall have exclusive original jurisdiction and venue over all matters  
6 arising from this act.

7  
8       8. (New section) This act, P.L. , c. (C. ) (pending before  
9 the Legislature as this bill), shall be construed liberally. If any  
10 provision of this act or the application thereof to any person or  
11 circumstance is held invalid, such invalidity shall not affect other  
12 provisions or applications which can be given effect without the  
13 invalid provisions or applications, and to this end the provisions of  
14 this act are declared to be severable.

15  
16       9. Section 3 of P.L.1970, c.13 (C.5:9-3), is amended to read as  
17 follows:

18       3. For the purposes of this act:

19       a. "Commission" shall mean the State Lottery Commission  
20 established by this act.

21       b. "Division" shall mean the Division of the State Lottery  
22 created by this act.

23       c. "Lottery" or "State lottery" shall mean the lottery established  
24 and operated pursuant to this act and includes all lottery games  
25 organized or conducted by the division prior to and after the effective  
26 date of P.L. , c. (pending before the Legislature as this bill).

27       d. "Director" shall mean the Director of the Division of the State  
28 Lottery.

29 (cf: P.L.1970, c.13, s.3)

30  
31       10. Section 5 of P.L.1970, c.13 (C.5:9-5) is amended to read as  
32 follows:

33       5. The commission shall consist of the State Treasurer and six  
34 public members, all of whom shall be residents of this State and all  
35 of whom shall be appointed by the Governor by and with the advice  
36 and consent of the Senate. No more than three of the six public  
37 members shall be members of the same political party. The public  
38 members shall be appointed for terms of 5 years, except that of the  
39 members first appointed, one shall be appointed for a term of 1 year,  
40 one for a term of 2 years, one for a term of 3 years, one for a term of  
41 4 years, and one for a term of 5 years, commencing as of the date of  
42 their appointment by the Governor. The term of each of the members  
43 first appointed shall be designated by the Governor. The term of the  
44 additional public member appointed pursuant to this 1983  
45 amendatory act shall be five years. The members shall annually elect  
46 one of the public members as chairman of the commission and shall  
47 also annually elect one of the public members as vice chairman of  
48 the commission.

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1 During the term of the lottery contribution made pursuant to  
2 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
3 bill), the commission shall consist of the State Treasurer, the Director  
4 of the Division of Investment, and five public members, all of whom  
5 shall be residents of this State, and all of whom shall be appointed by  
6 the Governor with the advice and consent of the Senate. No more  
7 than three of the five public members shall be members of the same  
8 political party. When the lottery contribution begins, the Governor  
9 shall select one public member, who is serving on the effective date  
10 of P.L. , c. (pending before the Legislature as this bill), for  
11 termination of the member's service. Members of the commission  
12 serving on the date of enactment of the "Lottery Enterprise  
13 Contribution Act," P.L. , c. (C. ) (pending before the Legislature  
14 as this bill), not terminated by the Governor shall continue to serve  
15 for the remainder of their terms.

16 Any vacancy in the commission occurring for any reason other  
17 than the expiration of term shall be filled for the unexpired term in  
18 the same manner as the original appointment.

19 Any public member of the commission may be removed from  
20 office by the Governor, for cause, upon notice and opportunity to be  
21 heard at a public hearing.

22 The public members of the commission shall receive no salaries  
23 but shall be allowed reasonable expenses incurred in the performance  
24 of their official duties in an amount not exceeding \$5,000.00 per  
25 annum in the case of the chairman, and \$3,500.00 in the case of each  
26 of the other commissioners.

27 The Director of the Division of Investment and the State Treasurer  
28 may each designate an officer or employee of [his department] the  
29 Division of Investment or the Department of the Treasury,  
30 respectively, to represent [him] the director or the Treasurer at  
31 meetings of the commission, who may lawfully vote and otherwise  
32 act on behalf of the Treasurer and the director, respectively. Any  
33 designation shall be in writing, delivered to the commission and filed  
34 with the Secretary of State and shall continue in effect, unless by its  
35 terms it is made for a fixed period, until revoked or amended in the  
36 same manner as provided for the designation.

37 (cf: P.L.1983, c.60, s.1)

38

39 11. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as  
40 follows:

41 7. The commission shall have the power, and it shall be its duty:  
42 a. After full and thorough study of the report and  
43 recommendations of the State Lottery Planning Commission  
44 established pursuant to Joint Resolution Number 11, approved  
45 November 20, 1969, and such other pertinent information as may be  
46 available, to promulgate such rules and regulations governing the  
47 establishment and operation of a State lottery as it deems necessary  
48 and desirable in order that the mandate of the people expressed in  
49 their approval of the amendment to Article IV, Section VII,

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1 paragraph 2, of the Constitution in the general election of November,  
2 1969, may be fully implemented, in order that such a lottery shall be  
3 initiated at the earliest feasible and practicable time, and in order  
4 that such lottery shall produce the maximum amount of net  
5 [revenues] proceeds for State institutions and State aid for education  
6 consonant with the dignity of the State and the general welfare of the  
7 people. Such rules and regulations may include, but shall not be  
8 limited to, the following:

- 9 (1) The type of lottery to be conducted.
- 10 (2) The price, or prices, of tickets or shares in the lottery.
- 11 (3) The number and sizes of the prizes on the winning tickets or  
12 shares.
- 13 (4) The manner of selecting the winning tickets or shares.
- 14 (5) The manner of payment of prizes to the holders of winning  
15 tickets or shares, including, subject to the approval of the State  
16 Treasurer, provision for payment of prizes not to exceed \$599.00 by  
17 agents licensed hereunder out of moneys received from sales of  
18 tickets or shares.
- 19 (6) The frequency of the drawings or selections of winning tickets  
20 or shares, without limitation.
- 21 (7) Without limit as to number, the type or types of locations at  
22 which tickets or shares may be sold.
- 23 (8) The method to be used in selling tickets or shares.
- 24 (9) The licensing of agents to sell tickets or shares, provided that  
25 no person under the age of 21 shall be licensed as an agent.
- 26 (10) The manner and amount of compensation, if any, to be paid  
27 licensed sales agents necessary to provide for the adequate  
28 availability of tickets or shares to prospective buyers and for the  
29 convenience of the public.
- 30 (11) The apportionment of the total [revenues] proceeds accruing  
31 from the sale of lottery tickets or shares and from all other sources  
32 among (a) the payment of prizes to the holders of winning tickets or  
33 shares, (b) the payment of costs incurred in the operation and  
34 administration of the lottery, including the expenses of the division  
35 and the costs resulting from any contract or contracts entered into  
36 for promotional, advertising or operational services or for the  
37 purchase or lease of lottery equipment and materials, (c) for the  
38 repayment of the money appropriated to the State Lottery Fund  
39 pursuant to section 23 of this act, and (d) for transfer to the general  
40 fund for State institutions and State aid for education; provided,  
41 however, that no less than 30% of the total [revenues] proceeds  
42 accruing from the sale of lottery tickets or shares shall be dedicated  
43 to (d) above.

44 During the term of the lottery contribution made pursuant to  
45 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
46 bill), the apportionment of the total proceeds accruing from the sale  
47 of lottery tickets or shares and from all other sources among (a) the  
48 payment of prizes to the holders of winning tickets or shares, (b) the  
49 payment of costs incurred in the operation and administration of the

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1 Lottery Enterprise, as defined in section 3 of P.L. , c. (C. )  
2 (pending before the Legislature as this bill), including the expenses  
3 of the division and the costs resulting from any contract or contracts  
4 entered into for promotional, advertising, or operational services for  
5 the purchase or lease of lottery equipment and materials, and (c) for  
6 transfer to the investment account of Common Pension Fund L, for  
7 the benefit of retirement systems, as provided in the "Lottery  
8 Enterprise Contribution Act," P.L. , c. (C. ) (pending before the  
9 Legislature as this bill); provided, however, that no less than 30  
10 percent of the proceeds accruing from the sale of lottery tickets or  
11 shares shall be dedicated to the investment account under (c) above.

12 (12) Such other matters necessary or desirable for the efficient and  
13 economical operation and administration of the lottery and the  
14 Lottery Enterprise and for the convenience of the purchasers of  
15 tickets or shares and the holders of winning tickets or shares.

16 Notwithstanding the provisions of any other law to the contrary,  
17 no rule or regulation establishing a lottery game shall be considered  
18 an "administrative rule" or "rule" pursuant to P.L.1968, c. 410 (C.  
19 52:14B-1 et seq.).

20 b. To amend, repeal, or supplement any such rules and  
21 regulations from time to time as it deems necessary or desirable.  
22 Notwithstanding any provision of the "Administrative Procedure  
23 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the  
24 commission may adopt, immediately upon filing with the Office of  
25 Administrative Law, such regulations as are necessary to implement  
26 the provisions of the "Lottery Enterprise Contribution Act," P.L. ,  
27 c. (C. ) (pending before the Legislature as this bill), which shall  
28 be effective for a period not to exceed 12 months following adoption,  
29 and may thereafter be amended, adopted, or readopted by the  
30 commission in accordance with the requirements of the  
31 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
32 seq.).

33 c. To advise and make recommendations to the director  
34 regarding the operation and administration of the lottery and the  
35 Lottery Enterprise.

36 d. To report monthly to the Governor and the Legislature  
37 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during  
38 the lottery contribution, to the Director of the Division of Investment,  
39 the total lottery [revenues] proceeds, prize disbursements and other  
40 expenses for the preceding month, and to make an annual report,  
41 which shall include a full and complete statement of lottery  
42 [revenues] proceeds, prize disbursements and other expenses, to the  
43 Governor [and] , the Legislature, and during the lottery contribution,  
44 the Director of the Division of Investment, including such  
45 recommendations for changes in this act as it deems necessary or  
46 desirable.

47 e. To report immediately to the Governor and the Legislature  
48 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during  
49 the lottery contribution, to the Director of the Division of Investment,

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1 any matters which shall require immediate changes in the laws of this  
2 State in order to prevent abuses and evasions of this act or rules and  
3 regulations promulgated thereunder or to rectify undesirable  
4 conditions in connection with the administration or operation of the  
5 lottery and the Lottery Enterprise.

6 f. To carry on a continuous study and investigation of the lottery  
7 and the Lottery Enterprise throughout the State, which may include  
8 requiring a financial or operational audit of the Lottery Enterprise,  
9 (1) for the purpose of ascertaining any defects in this act or in the  
10 rules and regulations issued thereunder by reason whereof any abuses  
11 in the administration and operation of the lottery and the Lottery  
12 Enterprise or any evasion of this act or the rules and regulations may  
13 arise or be practiced, (2) for the purpose of formulating  
14 recommendations for changes in this act and the rules and regulations  
15 promulgated thereunder to prevent such abuses and evasions, (3) to  
16 guard against the use of this act and the rules and regulations issued  
17 thereunder as a cloak for the carrying on of organized gambling and  
18 crime, and (4) to insure that said law and rules and regulations shall  
19 be in such form and be so administered as to serve the true purposes  
20 of this act and the "Lottery Enterprise Contribution Act," P.L. , c.  
21 (C. ) (pending before the Legislature as this bill).

22 g. To make a continuous study and investigation of (1) the  
23 operation and the administration of similar laws which may be in  
24 effect in other states or countries, (2) any literature on the subject  
25 which from time to time may be published or available, (3) any  
26 Federal laws which may affect the operation of the lottery and the  
27 Lottery Enterprise, and (4) the reaction of New Jersey [citizens]  
28 residents to existing and potential features of the lottery and the  
29 Lottery Enterprise, with a view to recommending or effecting  
30 changes that will tend to serve the purposes of this act.

31 (cf: P.L.1981, c.182, s.1)

32

33 12. Section 8 of P.L.1970, c.13 (C.5:9-8) is amended to read as  
34 follows:

35 8. The director shall have the power, and it shall be his duty to:

36 a. Supervise and administer the operation of the lottery and the  
37 Lottery Enterprise in accordance with the provisions of this act and  
38 the "Lottery Enterprise Contribution Act," P.L. , c. (C. )  
39 (pending before the Legislature as this bill), and with the rules and  
40 regulations of the commission.

41 b. Subject to the approval of the commission, appoint such  
42 deputy directors as may be required to carry out the functions and  
43 duties of the division, which deputy directors shall be in the  
44 unclassified service of the civil service.

45 c. Subject to the approval of the commission and Title [11] 11A  
46 of the [Revised Statutes] New Jersey Statutes, Civil Service, appoint  
47 such professional, technical and clerical assistants and employees as  
48 may be necessary to perform the duties imposed upon

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- 1 the division by this act and the “Lottery Enterprise Contribution Act,”  
2 P.L. , c. (C. ) (pending before the Legislature as this bill).
- 3 d. Act as secretary and executive officer of the commission.
- 4 e. In accordance with the provisions of this act and the rules and  
5 regulations of the commission, to license as agents to sell lottery  
6 tickets such persons as in his opinion will best serve the public  
7 convenience and promote the sale of tickets or shares. The director  
8 may require a bond from every licensed agent, in such amount as  
9 provided in the rules and regulations of the commission. Every  
10 licensed agent shall prominently display his license, or a copy  
11 thereof, as provided in the rules and regulations of the commission.
- 12 f. Shall confer regularly as necessary or desirable and not less  
13 than once every month with the commission on the operation and  
14 administration of the lottery and the Lottery Enterprise; shall make  
15 available for inspection by the commission, upon request, all books,  
16 records, files, and other information and documents of the division;  
17 shall advise the commission and recommend such matters as he  
18 deems necessary and advisable to improve the operation and  
19 administration of the lottery and the Lottery Enterprise.
- 20 g. Suspend or revoke any license issued pursuant to this act or  
21 the rules and regulations promulgated thereunder.
- 22 h. Subject to the approval of the commission and the applicable  
23 laws relating to public contracts, to act on behalf of the commission  
24 as using agency with respect to purchases made by the Division of  
25 Purchase and Property of goods and services required in the operation  
26 of the lottery and the Lottery Enterprise.
- 27 i. To certify monthly to the State Treasurer [and] , the  
28 commission, and during the term of the lottery contribution made  
29 pursuant to section 4 of P.L. , c. (C. ) (pending before the  
30 Legislature as this bill), the Director of the Division of Investment, a  
31 full and complete statement of lottery [revenues] proceeds, prize  
32 disbursements and other expenses for the preceding month.
- 33 j. During the term of the lottery contribution, operate, manage,  
34 conduct, and control the retained assets and the retained liabilities, as  
35 each term is defined in the “Lottery Enterprise Contribution Act,”  
36 P.L. , c. (C. ) (pending before the Legislature as this bill).  
37 (cf: P.L.1983, c.60, s. 2)



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17

1 13. Section 17 of P.L.1970, c.13 (C.5:9-17) is amended to read as  
2 follows:

3 17. Unclaimed prize money for the prize on a winning ticket or  
4 share shall be retained by the director for the person entitled thereto  
5 for 1 year after the drawing in which the prize was won. If no claim  
6 is made for said money within such year, the prize money shall be  
7 allocated to State institutions and State aid for education in the same  
8 manner as lottery [revenues] proceeds are allocated for such  
9 purposes under this act.

10 (cf: P.L.1970, c.13, s.17)

11

12 14. Section 18 of P.L.1970, c.13 (C.5:9-18) is amended to read as  
13 follows:

14 18. The director may, in his discretion, require any or all lottery  
15 sales agents to deposit to the credit of the operations account of  
16 Common Pension Fund L, as provided in the "Lottery Enterprise  
17 Contribution Act," P.L. , c. (C. ) (pending before the Legislature  
18 as this bill) during the term of the lottery contribution made pursuant  
19 to section 4 of P.L. , c. (C. ) (pending before the Legislature as  
20 this bill), and otherwise deposit to the credit of the State Lottery Fund  
21 in banks, designated by the State Treasurer all moneys received by  
22 such agents from the sale of lottery tickets or shares, less the amount,  
23 if any, retained as compensation for the sale of the tickets or shares,  
24 and to file with the director or his designated agents reports of their  
25 receipts and transactions in the sale of lottery tickets in such form  
26 and containing such information as he may require. The director may  
27 make such arrangements for any person, including a bank, to perform  
28 such functions, activities or services in connection with the operation  
29 of the lottery as he may deem advisable pursuant to this act and the  
30 rules and regulations of the commission, and such functions,  
31 activities or services shall constitute lawful functions, activities and  
32 services of such person.

33 (cf: P.L.1970, c.13, s.18)

34

35 15. Section 21 of P.L.1970, c.13 (C.5:9-21) is amended to read as  
36 follows:

37 21. There is hereby created and established in the Department of  
38 the Treasury a separate fund, to be known as the "State Lottery  
39 Fund," to be deposited in such depositories as the State Treasurer  
40 may select. Such fund shall consist of all [revenues] proceeds  
41 received from the sale of lottery tickets or shares, and all other  
42 moneys credited or transferred thereto from any other fund or source  
43 pursuant to law.

44 During the term of the lottery contribution made pursuant to  
45 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
46 bill), no proceeds received from the sale of lottery tickets or shares,  
47 and no other moneys credited or transferred to the Lottery Enterprise,  
48 as defined as section 3 of P.L. , c. (C. ) (pending before the  
49 Legislature as this bill), from any other fund or source, shall be

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18

1 deposited into the State Lottery Fund, and instead all such amounts  
2 shall be deposited into the operations account of Common Pension  
3 Fund L, established pursuant to the "Lottery Enterprise Contribution  
4 Act," P.L. , c. (C. ) (pending before the Legislature as this  
5 bill).

6 (cf: P.L.1970, c.13, s.21)

7

8 16. Section 22 of P.L.1970, c.13 (C.5:9-22) is amended to read as  
9 follows:

10 22. The moneys in said State Lottery Fund shall be appropriated  
11 only (a) for the payment of prizes to the holders of winning lottery  
12 tickets or shares, (b) for the expenses of the division in its operation  
13 of the lottery, (c) for State institutions and State aid for education as  
14 shall be provided by law, and (d) for the repayment to the general  
15 treasury of the amount appropriated to the fund pursuant to section  
16 23 of this act.

17 On or about March 15 and September 15 of each year, the State  
18 Treasurer shall publish in at least 10 newspapers circulating  
19 generally in the State a report accounting for the total revenues  
20 received in the State Lottery Fund and the specific amounts of money  
21 appropriated therefrom for specific expenditures during the  
22 preceding six months ending December 31 and June 30.

23 During the term of the lottery contribution made pursuant to  
24 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
25 bill), the moneys in the operations account of Common Pension Fund  
26 L, established pursuant to section 6 of P.L. , c. (C. ) (pending  
27 before the Legislature as this bill), shall be used only (a) for the  
28 payment of prizes to the holders of winning lottery tickets or shares,  
29 (b) for the expenses of the division in its operation of the lottery and  
30 the Lottery Enterprise, as defined in section 3 of P.L. , c. (C. )  
31 (pending before the Legislature as this bill), and (c) for transfer to the  
32 investment account of Common Pension Fund L for the benefit of the  
33 retirement systems.

34 (cf: P.L.1984, c.136, s.1)

35

36 17. Section 38 of P.L.2010, c.1 (C.43:3C-14) is amended as  
37 follows:

38 38. a. (1) Commencing July 1, 2011 and thereafter, the  
39 contribution required, by law, to be made by the State to the Teachers'  
40 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1  
41 et seq., the Judicial Retirement System, established pursuant to  
42 P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers' Pension  
43 Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the  
44 Public Employees' Retirement System, established pursuant to  
45 P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated Police and  
46 Firemen's Pension Fund, established pursuant to R.S.43:16-1 et seq.,  
47 the Police and Firemen's Retirement System, established pursuant to  
48 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police Retirement  
49 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),

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1 shall be made in full each year to each system or fund in the manner  
2 and at the time provided by law. The contribution shall be computed  
3 by actuaries for each system or fund based on an annual valuation of  
4 the assets and liabilities of the system or fund pursuant to consistent  
5 and generally accepted actuarial standards and shall include the  
6 normal contribution and the unfunded accrued liability contribution.  
7 Notwithstanding the provisions of any law to the contrary, the assets  
8 to be included in the calculation described in this paragraph shall not  
9 include the special asset value.

10 (2) The State with regard to its obligations funded through the  
11 annual appropriations act shall be in compliance with this  
12 requirement provided the State makes a payment, to each State-  
13 administered retirement system or fund, of at least 1/7th of the full  
14 contribution, as computed by the actuaries, in the State fiscal year  
15 commencing July 1, 2011 and a payment in each subsequent fiscal  
16 year that increases by at least an additional 1/7th until payment of the  
17 full contribution is made in the seventh fiscal year and thereafter.

18 (3) The sum of the accrued liability and the normal contribution,  
19 calculated by the actuaries with respect to the unfunded accrued  
20 liability and normal cost for each retirement system, as defined  
21 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
22 Legislature as this bill), shall be reduced annually by the product of  
23 the allocable percentage for such retirement system, established in  
24 section 5 of P.L. , c. (C. ) (pending before the Legislature as this  
25 bill), the adjustment percentage for such retirement system, as set  
26 forth in subsection c. of this section, and the special asset adjustment  
27 as set forth in this paragraph.

28 For State fiscal year 2018, the annual special asset adjustment  
29 shall equal \$1,000,976,874.

30 For State fiscal year 2019, the annual special asset adjustment  
31 shall equal \$1,037,148,584.

32 For State fiscal year 2020, the annual special asset adjustment  
33 shall equal \$1,070,451,102.

34 For State fiscal year 2021, the annual special asset adjustment  
35 shall equal \$1,084,354,841.

36 For State fiscal year 2022, the annual special asset adjustment  
37 shall equal \$1,095,871,137.

38 After State fiscal year 2022, the special asset adjustment shall be  
39 determined based on an amortization of the special asset value over  
40 the remaining term of the lottery contribution made pursuant to  
41 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
42 bill), at the regular interest rate applicable to the retirement systems;  
43 provided, however, in no event shall the annual special asset  
44 adjustment be more than the maximum special asset adjustment.

45 The maximum special asset adjustment shall be determined based  
46 on a 30-year amortization of the initial special asset value at the  
47 regular interest rate applicable to the retirement systems.

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1 The special asset value shall initially be the value set forth in  
2 section 5 of P.L. , c. (C. ) (pending before the Legislature as  
3 this bill), and shall be revalued periodically as follows:

4 (a) if and as requested by the State Treasurer, in the Treasurer's  
5 discretion, which revaluation shall not occur more than once in any  
6 State fiscal year; and

7 (b) five years from the date of the last valuation performed,  
8 whether discretionary or otherwise.

9 The special asset value shall exclude proceeds counted in any prior  
10 actuarial valuation as a receivable. The special asset shall be  
11 depreciated on a straight-line basis over the remaining term of the  
12 lottery contribution based on the special asset value.

13 As used in this paragraph:

14 "Special asset adjustment" means the periodic actuarial  
15 adjustment with respect to the special asset applicable to the  
16 retirement systems.

17 b. In the State fiscal year commencing July 1, 2017 and in each  
18 State fiscal year thereafter, the contribution required to be made by  
19 the State pursuant to [subsection a. of] this section shall be made to  
20 each system on the following schedule: at least 25 percent by  
21 September 30, at least 50 percent by December 31, at least 75 percent  
22 by March 31, and at least 100 percent by June 30. The amount of the  
23 contribution shall be net of the amount of any increase in the interest  
24 on the tax and revenue anticipation notes attributable solely to the  
25 need to borrow an increased amount in order to make the quarterly  
26 payments.

27 c. For State fiscal years 2018 through 2022, the adjustment  
28 percentage applicable to the Teachers' Pension and Annuity Fund,  
29 established pursuant to N.J.S.18A:66-1 et seq., the Public Employees'  
30 Retirement System, established pursuant to P.L.1954, c.84  
31 (C.43:15A-1 et seq.), and the Police and Firemen's Retirement  
32 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et  
33 seq.), shall be 100 percent. For State fiscal years beginning 2023 and  
34 thereafter, the adjustment percentage applicable to: (1) the Teachers'  
35 Pension and Annuity Fund shall be 88.27 percent; (2) the Public  
36 Employees' Retirement System shall be 57.29 percent; and (3) the  
37 Police and Firemen's Retirement System shall be 0.00 percent. In  
38 State fiscal years 2023 and thereafter, for each of the Teachers'  
39 Pension and Annuity Fund, the Public Employees' Retirement  
40 System, and the Police and Firemen's Retirement System, in their  
41 entirety, if the funded ratio falls below 50 percent for any State fiscal  
42 year, the adjustment percentage for such fiscal year shall be reduced  
43 by a number of percentage points equal to three times the difference  
44 between 50 percent and the funded ratio,

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1 rounded to the nearest percentage point. For the purposes of this  
2 subsection, the funded ratio shall include the special asset value.  
3 (cf: P.L.2016, c.83, s.1)

4  
5 18. Section 27 of P.L.2011, c.78 (C.43:3C-16) is amended as  
6 follows:

7 27. For the purpose of the Teachers' Pension and Annuity Fund,  
8 established pursuant to N.J.S.18A:66-1 et seq., the Judicial  
9 Retirement System, established pursuant to P.L.1973, c.140  
10 (C.43:6A-1 et seq.), the Public Employees' Retirement System,  
11 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the  
12 Police and Firemen's Retirement System, established pursuant to  
13 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police Retirement  
14 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),  
15 "target funded ratio" means a ratio of the actuarial value of assets to  
16 the actuarially determined accrued liabilities expressed as a  
17 percentage that shall be for the State part of each system, and the  
18 local part of each system, if any, 75 percent in State fiscal year 2012,  
19 and increased in each fiscal year thereafter by equal increments for  
20 seven years, until the ratio reaches 80 percent at which it shall remain  
21 for all subsequent fiscal years.

22 During the term of the lottery contribution made pursuant to  
23 section 4 of P.L. , c. (C. ) (pending before the Legislature as this  
24 bill), for the purpose of the retirement systems, as defined in section  
25 3 of P.L. , c. (C. ) (pending before the Legislature as this bill),  
26 "target funded ratio" means a ratio of the actuarial value of assets  
27 plus the allocable special asset value, as determined in section 38 of  
28 P.L.2010, c.1 (C.43:3C-14), to the actuarially determined accrued  
29 liabilities expressed as a percentage that shall be for the State part of  
30 each system, and the local part of each system, if any, 75 percent in  
31 State fiscal year 2012, and increased in each State fiscal year  
32 thereafter by equal increments for seven years, until the ratio reaches  
33 80 percent at which it shall remain for all subsequent State fiscal  
34 years.  
35 (cf: P.L.2011, c.78, s.27)

36  
37 19. N.J.S.18A:66-17 is amended as follows:

38 18A:66-17. The expenses of administration of the retirement  
39 system shall be paid by the State of New Jersey. Each employing  
40 school district shall reimburse the State for a proportionate share of  
41 the amount paid by the State for administrative expense. This  
42 proportion shall be computed as the number of members under the  
43 jurisdiction of such employing school district bears to the total  
44 number of members in the system. The pro rata share of the cost of  
45 the administrative expense shall be included with the certification by  
46 the board of trustees to the Commissioner of Education, the State  
47 Treasurer and to each employing school district. The commissioner  
48 shall deduct the amount so certified from the certification, to the  
49 State Treasurer and the Director of the Division of Budget and

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1 Accounting, of State aid payable to such employing school district  
2 under the provisions of c. 85, P.L.1954. Similar reimbursement shall  
3 be made to the State by institutions and districts to which c. 85,  
4 P.L.1954 does not pertain.

5 For purposes of this section, during the term of the lottery  
6 contribution made pursuant to section 4 of P.L. , c. (C. ) (pending  
7 before the Legislature as this bill), the expenses of the Lottery  
8 Enterprise shall not be considered to be expenses of the retirement  
9 system but shall be paid in accordance with section 6 of P.L. , c.  
10 (C. ) (pending before the Legislature as this bill).

11 (cf: P.L.1971, c.121, s.7)

12

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

14 18A:66-18. The contingent reserve fund shall be the fund in which  
15 shall be credited contributions made by the State and other  
16 employers.

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

25 b. Upon the basis of the tables recommended by the actuary  
26 which the board of trustees adopts and regular interest, the actuary of  
27 the board shall annually determine if there is an amount of the  
28 accrued liability of the retirement system, computed under the  
29 projected unit credit method, including the liability for pension  
30 adjustment benefits for active employees funded pursuant to section  
31 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered  
32 by the assets of the retirement system, valued in accordance with the  
33 asset valuation method established in this section. This shall be  
34 known as the "unfunded accrued liability." If there was no unfunded  
35 accrued liability for the valuation period immediately preceding the  
36 current valuation period, the actuary, using the total amount of this  
37 unfunded accrued liability, shall compute the initial amount of  
38 contribution which, if paid annually in level dollars for a specific  
39 period of time, will amortize this liability. The State Treasurer shall  
40 determine, upon the advice of the Director of the Division of  
41 Pensions and Benefits, the board of trustees and the actuary, the time  
42 period for full funding of this liability, which shall not exceed 30  
43 years. This shall be known as the "accrued liability contribution."  
44 Thereafter, any increase or decrease in the unfunded accrued liability  
45 as a result of actuarial losses or gains for subsequent valuation years  
46 shall serve to increase or decrease, respectively, the amortization  
47 period for the unfunded accrued liability, unless an increase in the  
48 amortization period will cause it to exceed 30 years. If an increase  
49 in the amortization period as a result of actuarial losses for a

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

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

23 The value of the assets, excluding the special asset value set forth  
24 in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the  
25 computation of the contributions provided for under this section for  
26 valuation periods shall be the value of the assets for the preceding  
27 valuation period increased by the regular interest rate, plus the net  
28 cash flow for the valuation period (the difference between the  
29 benefits and expenses paid by the system and the contributions to the  
30 system) increased by one half of the regular interest rate, plus 20%  
31 of the difference between this expected value and the full market  
32 value of the assets as of the end of the valuation period. This shall  
33 be known as the "valuation assets." Notwithstanding the first  
34 sentence of this paragraph, the valuation assets for the valuation  
35 period ending March 31, 1996 shall be the full market value of the  
36 assets as of that date and shall include the proceeds from the bonds  
37 issued pursuant to the "Pension Bond Financing Act of 1997,"  
38 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the  
39 New Jersey Economic Development Authority to fund the unfunded  
40 accrued liability of the system. Notwithstanding the first sentence of  
41 this paragraph, the valuation assets for the valuation period ending  
42 June 30, 1999 shall be the full market value of the assets as of that  
43 date.

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

- 45 (1) the valuation assets; less
- 46 (2) the actuarial accrued liability for basic benefits and pension  
47 adjustment benefits, excluding the unfunded accrued liability for  
48 early retirement incentive benefits pursuant to P.L.1991, c.231 and  
49 P.L.1993, c.163 for employers other than the State; less

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1 (3) the contributory group insurance premium fund created by  
2 N.J.S.18A:66-77; less

3 (4) the post-retirement medical premium fund created pursuant to  
4 section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by section  
5 3 of P.L.1994, c.62; less

6 (5) the present value of the projected total normal cost for pension  
7 adjustment benefits in excess of the projected total phased-in normal  
8 cost for pension adjustment benefits as originally authorized by  
9 section 2 of P.L.1987, c.385 (C.18A:66-18.1) over the full phase-in  
10 period, determined in the manner prescribed for the determination  
11 and amortization of the unfunded accrued liability of the system, if  
12 the sum of the foregoing items is greater than zero.

13 If there are excess valuation assets for the valuation period ending  
14 March 31, 1996, the normal contributions for the valuation periods  
15 ending March 31, 1996 and March 31, 1997 which have not yet been  
16 paid to the retirement system shall be reduced to the extent possible  
17 by the excess valuation assets, provided that the General Fund  
18 balances that would have been paid to the retirement system except  
19 for this provision shall first be allocated as State aid to public schools  
20 to the extent that additional sums are required to comply with the  
21 May 14, 1997 decision of the New Jersey Supreme Court in Abbott  
22 v. Burke, and provided further that the normal contribution for the  
23 valuation period ending March 31, 1996 shall not be less than  
24 \$54,000,000. If there are excess valuation assets for a valuation  
25 period ending after March 31, 1996, the State Treasurer may reduce  
26 the normal contribution payable for the next valuation period as  
27 follows:

28 (1) for valuation periods ending March 31, 1997 through March  
29 31, 2001, to the extent possible by up to 100% of the excess valuation  
30 assets;

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

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

35 (4) for valuation periods ending March 31, 2004 through June  
36 30, 2007, to the extent possible by up to 50% of the excess valuation  
37 assets.

38 For calendar years 1998 and 1999, the rate of contribution of  
39 members of the retirement system under N.J.S.18A:66-29 shall be  
40 reduced by 1/2 of 1% from excess valuation assets. For calendar  
41 years 2000 and 2001, the rate of contribution of members of the  
42 retirement system shall be reduced equally with normal contributions  
43 to the extent possible, but not more than 1/2 of 1%, from excess  
44 valuation assets. Thereafter, through calendar year 2007, the rate of  
45 contribution of members of the retirement system under that section  
46 for a calendar year shall be reduced equally with normal  
47 contributions to the extent possible, but not by more than 2%, from  
48 excess valuation assets if the State Treasurer determines that excess  
49 valuation assets shall be used to reduce normal contributions by the



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1 State for the fiscal year beginning immediately prior to the calendar  
2 year, and excess valuation assets above the amount necessary to fund  
3 the reduction for that calendar year in the member contribution rate  
4 plus an equal reduction in the normal contribution shall be available  
5 for the further reduction of normal contributions, subject to the  
6 limitations prescribed by this subsection.

7 If there are excess valuation assets after reductions in normal  
8 contributions and member contributions as authorized in the  
9 preceding paragraphs for a valuation period beginning with the  
10 valuation period ending June 30, 1999, an amount of excess valuation  
11 assets not to exceed the amount of the member contributions for the  
12 fiscal year in which the normal contributions are payable shall be  
13 credited to the benefit enhancement fund. The amount of excess  
14 valuation assets credited to the benefit enhancement fund shall not  
15 exceed the present value of the expected additional normal  
16 contributions attributable to the provisions of P.L.2001, c.133  
17 payable on behalf of the active members over the expected working  
18 lives of the active members in accordance with the tables of actuarial  
19 assumptions for the valuation period. No additional excess valuation  
20 assets shall be credited to the benefit enhancement fund after the  
21 maximum amount is attained. Interest shall be credited to the benefit  
22 enhancement fund as provided under N.J.S.18A:66-25.

23 The normal contribution for the increased benefits for active  
24 members under P.L.2001, c.133 shall be paid from the benefit  
25 enhancement fund. If assets in the benefit enhancement fund are  
26 insufficient to pay the normal contribution for the increased benefits  
27 for a valuation period, the State shall pay the amount of normal  
28 contribution for the increased benefits not covered by assets from the  
29 benefit enhancement fund.

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

31 d. The retirement system shall certify annually the aggregate  
32 amount payable to the contingent reserve fund in the ensuing year,  
33 which amount shall be equal to the sum of the amounts described in  
34 this section, and which shall be paid into the contingent reserve fund  
35 in the manner provided by N.J.S.18A:66-33.

36 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-53,  
37 the death benefits payable under the provisions of this article upon  
38 the death of an active or retired member shall be paid from the  
39 contingent reserve fund.

40 f. The disbursements for benefits not covered by reserves in the  
41 system on account of veterans shall be met by direct contribution of  
42 the State.

43 (cf: P.L.2011, c.78, s.20)

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1       21. Section 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to  
2 read as follows:

3       3. There is created within the New Jersey Educational Facilities  
4 Authority, established pursuant to N.J.S.18A:72A-1 et seq., the  
5 "Higher Education Facilities Trust Fund," hereinafter referred to as  
6 the "trust fund." The trust fund shall be maintained as a separate  
7 account and administered by the authority to carry out the provisions  
8 of this act. The trust fund shall consist of:

9       a. moneys received from the issuance of bonds or notes pursuant  
10 to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an annual  
11 appropriation [from the net proceeds of the State lottery established  
12 by P.L.1970, c.13 (C.5:9-1 et seq.)] in an amount sufficient to pay  
13 the principal and interest on the bonds or notes;

14       b. all moneys appropriated by the State for the purposes of the  
15 trust fund; and

16       c. all interest and investment earnings received on moneys in the  
17 trust fund.

18 (cf: P.L.1993, c.375, s.3)

19

20       22. Section 3 of P.L.1999, c.217 (C.18A:72A-74) is amended to  
21 read as follows:

22       3. There is created within the New Jersey Educational Facilities  
23 Authority, established pursuant to chapter 72A of Title 18A of the  
24 New Jersey Statutes, the "Higher Education Capital Improvement  
25 Fund," hereinafter referred to as the "capital improvement fund." The  
26 capital improvement fund shall be maintained as a separate account  
27 and administered by the authority to carry out the provisions of this  
28 act. The capital improvement fund shall consist of:

29       a. moneys received from the issuance of bonds, notes or other  
30 obligations issued pursuant to section 7 of P.L.1999, c.217  
31 (C.18A:72A-78) and an annual appropriation [from the net proceeds  
32 of the State lottery established by P.L.1970, c.13 (C.5:9-1 et seq.)] in  
33 an amount sufficient to pay the principal and interest on the bonds,  
34 notes or other obligations;

35       b. all moneys appropriated by the State for the purposes of the  
36 capital improvement fund; and

37       c. all interest and investment earnings received on moneys in the  
38 capital improvement fund.

39 (cf: P.L.1999, c.217, s.3)

40

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

43       23. The expenses of administration of the retirement system on  
44 behalf of State employee members shall be paid by the State of New  
45 Jersey.

46       The administration fees hereafter paid by participating employers  
47 other than the State, shall be used to pay the expenses of

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1 administration of the retirement system on behalf of all members  
2 other than State employees.

3 For purposes of this section, during the term of the lottery  
4 contribution made pursuant to section 4 of P.L. , c. (C. ) (pending  
5 before the Legislature as this bill), the expenses of the Lottery  
6 Enterprise shall not be considered to be expenses of the retirement  
7 system.

8 (cf: P.L.1954, c.84, s.23)

9

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

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

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

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

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

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

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

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

14 The value of the assets, excluding the special asset value set forth  
15 in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the  
16 computation of the contributions provided for under this section for  
17 valuation periods shall be the value of the assets for the preceding  
18 valuation period increased by the regular interest rate, plus the net  
19 cash flow for the valuation period (the difference between the  
20 benefits and expenses paid by the system and the contributions to the  
21 system) increased by one half of the regular interest rate, plus 20%  
22 of the difference between this expected value and the full market  
23 value of the assets as of the end of the valuation period. This shall  
24 be known as the "valuation assets." Notwithstanding the first  
25 sentence of this paragraph, the valuation assets for the valuation  
26 period ending March 31, 1996 shall be the full market value of the  
27 assets as of that date and, with respect to the valuation assets  
28 allocated to the State, shall include the proceeds from the bonds  
29 issued pursuant to the "Pension Bond Financing Act of 1997,"  
30 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the  
31 New Jersey Economic Development Authority to fund the unfunded  
32 accrued liability of the system. Notwithstanding the first sentence of  
33 this paragraph, the valuation assets for the valuation period ending  
34 June 30, 1999 shall be the full market value of the assets as of that  
35 date.

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

- 38 (1) the valuation assets allocated to the State; less
- 39 (2) the actuarial accrued liability of the State for basic benefits  
40 and pension adjustment benefits under the retirement system; less
- 41 (3) the contributory group insurance premium fund, created by  
42 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section  
43 4 of P.L.1960, c.79; less
- 44 (4) the post retirement medical premium fund, created pursuant  
45 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section  
46 8 of P.L.1994, c.62; less
- 47 (5) the present value of the projected total normal cost for pension  
48 adjustment benefits in excess of the projected total phased-in normal  
49 cost for pension adjustment benefits for the State authorized by

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1 section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in  
2 period, determined in the manner prescribed for the determination  
3 and amortization of the unfunded accrued liability of the system, if  
4 the sum of the foregoing items is greater than zero.

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

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

8 (2) the actuarial accrued liability of the other employers for basic  
9 benefits and pension adjustment benefits under the retirement  
10 system, excluding the unfunded accrued liability for early retirement  
11 incentive benefits pursuant to P.L.1991, c.229, P.L.1991, c.230,  
12 P.L.1993, c.138, and P.L.1993, c.181, for employers other than the  
13 State; less

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

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

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

41 (1) for valuation periods ending March 31, 1997 through March  
42 31, 2001, to the extent possible by up to 100% of the excess valuation  
43 assets allocated to the State or to the other employers, respectively;

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

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

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1 (4) for valuation periods ending March 31, 2004 through June 30,  
2 2007, to the extent possible by up to 50% of the excess valuation  
3 assets allocated to the State or to the other employers, respectively.

4 For calendar years 1998 and 1999, the rate of contribution of  
5 members of the retirement system under section 25 of P.L.1954, c.84  
6 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess valuation  
7 assets and for calendar years 2000 and 2001, the rate of contribution  
8 shall be reduced by 2% from excess valuation assets. Thereafter,  
9 through calendar year 2007, the rate of contribution of members of  
10 the retirement system under that section for a calendar year shall be  
11 reduced equally with normal contributions to the extent possible, but  
12 not by more than 2%, from excess valuation assets if the State  
13 Treasurer determines that excess valuation assets shall be used to  
14 reduce normal contributions by the State and local employers for the  
15 fiscal year beginning immediately prior to the calendar year, or for  
16 the calendar year for local employers whose fiscal year is the  
17 calendar year, and excess valuation assets above the amount  
18 necessary to fund the reduction for that calendar year in the member  
19 contribution rate plus an equal reduction in the normal contribution  
20 shall be available for the further reduction of normal contributions,  
21 subject to the limitations prescribed by this 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 valuation  
26 assets not to exceed the amount of the member contributions for the  
27 fiscal year in which the normal contributions are payable shall be  
28 credited to the benefit enhancement fund. The amount of excess  
29 valuation assets credited to the benefit enhancement fund shall not  
30 exceed the present value of the expected additional normal  
31 contributions attributable to the provisions of P.L.2001, c.133  
32 payable on behalf of the active members over the expected working  
33 lives of the active members in accordance with the tables of actuarial  
34 assumptions for the valuation period. No additional excess valuation  
35 assets shall be credited to the benefit enhancement fund after the  
36 maximum amount is attained. Interest shall be credited to the benefit  
37 enhancement fund as provided under section 33 of P.L.1954, c.84  
38 (C.43:15A-33).

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

46 c. The retirement system shall certify annually the aggregate  
47 amount payable to the contingent reserve fund in the ensuing year,  
48 which amount shall be equal to the sum of the amounts described in  
49 this section.

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32

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

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

31       An employer that elects to pay 100 percent of the amount certified  
32 by the retirement system for the State fiscal year ending June 30,  
33 2009 shall be credited with such payment and any such amounts shall  
34 not be included in the employer's unfunded liability.

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

42       The retirement system shall annually certify to each employer the  
43 contributions due to the contingent reserve fund for the liability under  
44 P.L.2009, c.19. The contributions certified by the retirement system  
45 shall be paid by the employer to the retirement system on or before  
46 the date prescribed by law for payment of employer contributions for  
47 basic retirement benefits. If payment of the full amount of the  
48 contribution certified is not made within 30 days after the last date  
49 for payment of employer contributions for basic retirement benefits,



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1 interest at the rate of 10% per year shall be assessed against the  
2 unpaid balance on the first day after the thirtieth day.

3 The State shall pay into the contingent reserve fund during the  
4 ensuing year the amount so determined. The death benefits, payable  
5 as a result of contribution by the State under the provisions of this  
6 chapter upon the death of an active or retired member, shall be paid  
7 from the contingent reserve fund.

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

11 (cf: P.L.2011, c.78, s.22)

12

13 25. Section 37 of P.L.1954, c.84 (C.43:15A-37) is amended to  
14 read as follows:

15 37. Regular interest charges payable, the creation and  
16 maintenance of reserves in the contingent reserve fund, the  
17 maintenance of retirement reserves as provided for in this act and the  
18 payment of all retirement allowances and other benefits granted by  
19 the board of trustees under the provisions of this act, except the  
20 amounts payable by other employers, are hereby made obligations of  
21 the State. All income, interest and dividends derived from deposits  
22 and investments authorized by this act shall be used for the payment  
23 of these obligations of the State and other employers, including,  
24 during the term of the lottery contribution made pursuant to section  
25 4 of P.L. , c. (C. ) (pending before the Legislature as this bill), all  
26 income, interest, and dividends derived from deposits and  
27 investments in the investment account of Common Pension Fund L,  
28 established pursuant to section 6 of P.L. , c. (C. ) (pending before  
29 the Legislature as this bill).

30 Upon the basis of each actuarial determination and appraisal  
31 provided for in this act, the board of trustees shall submit to the  
32 Governor in each year an itemized statement of the amounts  
33 necessary to be appropriated by the State to provide for payment in  
34 full during the ensuing fiscal year of the obligations of the State  
35 accruing during that year. The Legislature shall make an  
36 appropriation sufficient to provide for such obligations of the State.  
37 The amounts so appropriated shall be paid into the contingent reserve  
38 fund.

39 (cf: P.L.1971, c.213, s.15)

40

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

43 14. (1) The board of trustees shall be and are hereby constituted  
44 trustees of the various funds and accounts established by this act;  
45 provided, however, that all functions, powers and duties relating to  
46 the investment or reinvestment of moneys of, and purchase, sale or  
47 exchange of any investments or securities, of or for any fund or  
48 account established under this act shall be exercised and performed  
49 by the director of the Division of Investment in accordance with the

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34

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

6 An elected member of the board of trustees to be designated by a  
7 majority vote thereof shall serve on the State Investment Council as  
8 a representative of said board of trustees, for a term of three years  
9 and until a successor is designated and qualified.

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

19 (3) (Deleted by amendment.)

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

30 (5) For purposes of this section, during the term of the lottery  
31 contribution made pursuant to section 4 of P.L. , c. (C. ) (pending  
32 before the Legislature as this bill), the expenses of the Lottery  
33 Enterprise shall not be considered to be expenses of the retirement  
34 system.

35 (cf: P.L.2011, c.78, s.31)

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- 1       27. Section 15 of P.L.1944, c.225 (C.43:16A-15) is amended to  
2 read as follows:
- 3       15. (1) The contributions required for the support of the  
4 retirement system shall be made by members and their employers.
- 5       (2) The uniform percentage contribution rate for members shall  
6 be 8.5% of compensation. Members of the retirement system shall  
7 contribute 10% of compensation to the system on and after the  
8 effective date of P.L.2011, c.78.
- 9       (3) (Deleted by amendment, P.L.1989, c.204).
- 10       (4) Upon the basis of the tables recommended by the actuary  
11 which the board adopts and regular interest, the actuary shall  
12 compute annually, beginning as of June 30, 1991, the amount of  
13 contribution which shall be the normal cost as computed under the  
14 projected unit credit method attributable to service rendered under  
15 the retirement system for the year beginning on July 1 immediately  
16 succeeding the date of the computation. This shall be known as the  
17 "normal contribution."
- 18       (5) (Deleted by amendment, P.L.1989, c.204).
- 19       (6) (Deleted by amendment, P.L.1994, c.62.)
- 20       (7) Each employer shall cause to be deducted from the salary of  
21 each member the percentage of earnable compensation prescribed in  
22 subsection (2) of this section. To facilitate the making of deductions,  
23 the retirement system may modify the amount of deduction required  
24 of any member by an amount not to exceed 1/10 of 1% of the  
25 compensation upon which the deduction is based.
- 26       (8) The deductions provided for herein shall be made  
27 notwithstanding that the minimum salary provided for by law for any  
28 member shall be reduced thereby. Every member shall be deemed to  
29 consent and agree to the deductions made and provided for herein,  
30 and payment of salary or compensation less said deduction shall be a  
31 full and complete discharge and acquittance of all claims and  
32 demands whatsoever for the service rendered by such person during  
33 the period covered by such payment, except as to the benefits  
34 provided under this act. The chief fiscal officer of each employer  
35 shall certify to the retirement system in such manner as the retirement  
36 system may prescribe, the amounts deducted; and when deducted  
37 shall be paid into said annuity savings fund, and shall be credited to  
38 the individual account of the member from whose salary said  
39 deduction was made.
- 40       (9) With respect to employers other than the State, upon the basis  
41 of the tables recommended by the actuary which the board adopts and  
42 regular interest, the actuary shall compute the amount of the accrued  
43 liability as of June 30, 1991 under the projected unit credit method,  
44 which is not already covered by the assets of the retirement system,  
45 valued in accordance with the asset valuation method established in  
46 this section. Using the total amount of this unfunded accrued  
47 liability, the actuary shall compute the initial amount of contribution  
48 which, if the contribution is paid annually in level dollars for a  
49 specific period of time, will amortize this liability. The State

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1 Treasurer shall determine, upon the advice of the Director of the  
2 Division of Pensions and Benefits, the board of trustees and the  
3 actuary, the time period for full funding of this liability, which shall  
4 not exceed 40 years on initial application of this section as amended  
5 by this act, P.L.1994, c.62. This shall be known as the "accrued  
6 liability contribution." Any increase or decrease in the unfunded  
7 accrued liability as a result of actuarial losses or gains for the 10  
8 valuation years following valuation year 1991 shall serve to increase  
9 or decrease, respectively, the unfunded accrued liability contribution.  
10 Thereafter, any increase or decrease in the unfunded accrued liability  
11 as a result of actuarial losses or gains for subsequent valuation years  
12 shall serve to increase or decrease, respectively, the amortization  
13 period for the unfunded accrued liability, unless an increase in the  
14 amortization period will cause it to exceed 30 years. If an increase  
15 in the amortization period as a result of actuarial losses for a  
16 valuation year would exceed 30 years, the accrued liability  
17 contribution shall be computed for the valuation year in the same  
18 manner provided for the computation of the initial accrued liability  
19 contribution under this section. Beginning with the July 1, 2018  
20 actuarial valuation, the accrued liability contribution shall be  
21 computed so that if the contribution is paid annually in level dollars,  
22 it will amortize this unfunded accrued liability over a closed 30-year  
23 period. Beginning with the July 1, 2028 actuarial valuation, when  
24 the remaining amortization period reaches 20 years, any increase or  
25 decrease in the unfunded accrued liability as a result of actuarial  
26 losses or gains for subsequent valuation years shall serve to increase  
27 or decrease, respectively, the amortization period for the unfunded  
28 accrued liability, unless an increase in the amortization period will  
29 cause it to exceed 20 years. If an increase in the amortization period  
30 as a result of actuarial losses for a valuation year would exceed 20  
31 years, 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 With respect to the State, upon the basis of the tables  
35 recommended by the actuary which the board adopts and regular  
36 interest, the actuary shall annually determine if there is an amount of  
37 the accrued liability, computed under the projected unit credit  
38 method, which is not already covered by the assets of the retirement  
39 system, valued in accordance with the asset valuation method  
40 established in this section. This shall be known as the "unfunded  
41 accrued liability." If there was no unfunded accrued liability for the  
42 valuation period immediately preceding the current valuation period,  
43 the actuary, using the total amount of this unfunded accrued liability,  
44 shall compute the initial amount of contribution which, if the  
45 contribution is paid annually in level dollars for a specific period of  
46 time, will amortize this liability. The State Treasurer shall determine,  
47 upon the advice of the Director of the Division of Pensions and  
48 Benefits, the board of trustees and the actuary, the time period for  
49 full funding of this liability, which shall not exceed 30 years. This

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1 shall be known as the "accrued liability contribution." Thereafter, any  
2 increase or decrease in the unfunded accrued liability as a result of  
3 actuarial losses or gains for subsequent valuation years shall serve to  
4 increase or decrease, respectively, the amortization period for the  
5 unfunded accrued liability, unless an increase in the amortization  
6 period will cause it to exceed 30 years. If an increase in the  
7 amortization period as a result of actuarial losses for a valuation year  
8 would exceed 30 years, the accrued liability contribution shall be  
9 computed for the valuation year in the same manner provided for the  
10 computation of the initial accrued liability contribution under this  
11 section. Beginning with the July 1, 2018 actuarial valuation, the  
12 accrued liability contribution shall be computed so that if the  
13 contribution is paid annually in level dollars, it will amortize this  
14 unfunded accrued liability over a closed 30-year period. Beginning  
15 with the July 1, 2028 actuarial valuation, when the remaining  
16 amortization period reaches 20 years, any increase or decrease in the  
17 unfunded accrued liability as a result of actuarial losses or gains for  
18 subsequent valuation years shall serve to increase or decrease,  
19 respectively, the amortization period for the unfunded accrued  
20 liability, unless an increase in the amortization period will cause it to  
21 exceed 20 years. If an increase in the amortization period as a result  
22 of actuarial losses for a valuation year would exceed 20 years, the  
23 accrued liability contribution shall be computed for the valuation  
24 year in the same manner provided for the computation of the initial  
25 accrued 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 legally  
28 available for the purpose, including, without limitation, the proceeds  
29 of bonds authorized by law for this purpose.

30 The value of the assets, excluding the special asset value set forth  
31 in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the  
32 computation of the contributions provided for under this section for  
33 valuation periods shall be the value of the assets for the preceding  
34 valuation period increased by the regular interest rate, plus the net  
35 cash flow for the valuation period (the difference between the  
36 benefits and expenses paid by the system and the contributions to the  
37 system) increased by one half of the regular interest rate, plus 20%  
38 of the difference between this expected value and the full market  
39 value of the assets as of the end of the valuation period. This shall  
40 be known as the "valuation assets." Notwithstanding the first  
41 sentence of this paragraph, the valuation assets for the valuation  
42 period ending June 30, 1995 shall be the full market value of the  
43 assets as of that date and, with respect to the valuation assets  
44 allocated to the State, shall include the proceeds from the bonds  
45 issued pursuant to the "Pension Bond Financing Act of 1997,"  
46 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the  
47 New Jersey Economic Development Authority to fund the unfunded  
48 accrued liability of the system. Notwithstanding the first sentence of  
49 this paragraph, the percentage of the difference between the expected

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1 value and the full market value of the assets to be added to the  
2 expected value of the assets for the valuation period ending June 30,  
3 1998 for the State shall be 100% and for other employers shall be  
4 57% plus such additional percentage as is equivalent to  
5 \$150,000,000. Notwithstanding the first sentence of this paragraph,  
6 the amount of the difference between the expected value and the full  
7 market value of the assets to be added to the expected value of the  
8 assets for the valuation period ending June 30, 1999 shall include an  
9 additional amount of the market value of the assets sufficient to fund  
10 (1) the unfunded accrued liability for the supplementary "special  
11 retirement" allowances provided under subsection b. of section 16 of  
12 P.L.1964, c.241 (C.43:16A-11.1) and (2) the unfunded accrued  
13 liability for the full credit toward benefits under the retirement  
14 system for service credited in the Public Employees' Retirement  
15 System and transferred pursuant to section 1 of P.L.1993, c.247  
16 (C.43:16A-3.8) and the reimbursement of the cost of any credit  
17 purchase pursuant to section 3 of P.L.1993, c.247 (C.43:16A-3.10)  
18 provided under section 1 of P.L.2001, c.201 (C.43:16A-3.14).

19 "Excess valuation assets" means, with respect to the valuation  
20 assets allocated to the State, the valuation assets allocated to the State  
21 for a valuation period less the actuarial accrued liability of the State  
22 for the valuation period, and beginning with the valuation period  
23 ending June 30, 1998, less the present value of the expected  
24 additional normal cost contributions attributable to the provisions of  
25 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the  
26 active members employed by the State as of the valuation period over  
27 the expected working lives of the active members in accordance with  
28 the tables of actuarial assumptions applicable to the valuation period,  
29 and less the present value of the expected additional normal cost  
30 contributions attributable to the provisions of P.L.2003, c.108 as  
31 amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on  
32 behalf of the active members employed by the State as of the  
33 valuation period over the expected working lives of the active  
34 members in accordance with the tables of actuarial assumptions  
35 applicable to the valuation period, if the sum is greater than zero.  
36 "Excess valuation assets" means, with respect to the valuation assets  
37 allocated to other employers, the valuation assets allocated to the  
38 other employers for a valuation period less the actuarial accrued  
39 liability of the other employers for the valuation period, excluding  
40 the unfunded accrued liability for early retirement incentive benefits  
41 pursuant to P.L.1993, c.99 for the other employers, and beginning  
42 with the valuation period ending June 30, 1998, less the present value  
43 of the expected additional normal cost contributions attributable to  
44 the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on  
45 behalf of the active members employed by other employers as of the  
46 valuation period over the expected working lives of the active  
47 members in accordance with the tables of actuarial assumptions  
48 applicable to the valuation period, and less the present value of the  
49 expected additional normal cost contributions attributable to the

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1 provisions of P.L.2003, c.108 as amending section 16 of P.L.1964,  
2 c.241 (C.43:16A-11.1) payable on behalf of the active members  
3 employed by other employers as of the valuation period over the  
4 expected working lives of the active members in accordance with the  
5 tables of actuarial assumptions applicable to the valuation period, if  
6 the sum is greater than zero.

7 If there are excess valuation assets allocated to the State or to the  
8 other employers for the valuation period ending June 30, 1995, the  
9 normal contributions payable by the State or by the other employers  
10 for the valuation periods ending June 30, 1995, and June 30, 1996  
11 which have not yet been paid to the retirement system shall be  
12 reduced to the extent possible by the excess valuation assets allocated  
13 to the State or to the other employers, respectively, provided that with  
14 respect to the excess valuation assets allocated to the State, the  
15 General Fund balances that would have been paid to the retirement  
16 system except for this provision shall first be allocated as State aid to  
17 public schools to the extent that additional sums are required to  
18 comply with the May 14, 1997 decision of the New Jersey Supreme  
19 Court in *Abbott v. Burke*.

20 If there are excess valuation assets allocated to the other  
21 employers for the valuation period ending June 30, 1998, the accrued  
22 liability contributions payable by the other employers for the  
23 valuation period ending June 30, 1997 shall be reduced to the extent  
24 possible by the excess valuation assets allocated to the other  
25 employers.

26 If there are excess valuation assets allocated to the State or to the  
27 other employers for a valuation period ending after June 30, 1998,  
28 the State Treasurer may reduce the normal contribution payable by  
29 the State or by other employers for the next valuation period as  
30 follows:

31 (1) for valuation periods ending June 30, 1996 through June 30,  
32 2000, to the extent possible by up to 100% of the excess valuation  
33 assets allocated to the State or to the other employers, respectively;

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

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

40 (4) for valuation periods ending June 30, 2003 through June 30,  
41 2007, to the extent possible by up to 50% of the excess valuation  
42 assets allocated to the State or to the other employers, respectively.

43 Notwithstanding the discretion provided to the State Treasurer in  
44 the previous paragraph to reduce the amount of the normal  
45 contribution payable by employers other than the State, the State  
46 Treasurer shall reduce the amount of the normal contribution payable  
47 by employers other than the State by \$150,000,000 in the aggregate  
48 for the valuation period ending June 30, 1998, and then the State  
49 Treasurer may reduce further pursuant to the provisions of the

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1 previous paragraph the normal contribution payable by such  
2 employers for that valuation period.

3 The normal and accrued liability contributions shall be certified  
4 annually by the retirement system and shall be included in the budget  
5 of the employer and levied and collected in the same manner as any  
6 other taxes are levied and collected for the payment of the salaries of  
7 members.

8 Notwithstanding the preceding sentence, the normal and accrued  
9 liability contributions to be included in the budget of and paid by the  
10 employer other than the State shall be as follows: for the payment  
11 due in the State fiscal year ending on June 30, 2004, 20% of the  
12 amount certified by the retirement system; for the payment due in the  
13 State fiscal year ending on June 30, 2005, a percentage of the amount  
14 certified by the retirement system as the State Treasurer shall  
15 determine but not more than 40%; for the payment due in the State  
16 fiscal year ending on June 30, 2006, a percentage of the amount  
17 certified by the retirement system as the State Treasurer shall  
18 determine but not more than 60%; and for the payment due in the  
19 State fiscal year ending on June 30, 2007, a percentage of the amount  
20 certified by the retirement system as the State Treasurer shall  
21 determine but not more than 80%.

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

41 An employer that elects to pay 100 percent of the amount certified  
42 by the retirement system for the State fiscal year ending June 30,  
43 2009 shall be credited with such payment and any such amounts shall  
44 not be included in the employer's unfunded liability.

45 The actuaries for the retirement system shall determine the  
46 unfunded liability of the retirement system, by employer, for the  
47 reduced normal and accrued liability contributions provided under  
48 P.L.2009, c.19. This unfunded liability shall be paid by the employer  
49 in level annual payments over a period of 15 years beginning with



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1 the payments due in the State fiscal year ending June 30, 2012 and  
2 shall be adjusted by the rate of return on the actuarial value of assets.

3 The retirement system shall annually certify to each employer the  
4 contributions due to the contingent reserve fund for the liability under  
5 P.L.2009, c.19. The contributions certified by the retirement system  
6 shall be paid by the employer to the retirement system on or before  
7 the date prescribed by law for payment of employer contributions for  
8 basic retirement benefits. If payment of the full  
9 amount of the contribution certified is not made within 30 days after  
10 the last date for payment of employer contributions for basic  
11 retirement benefits, interest at the rate of 10% per year shall be  
12 assessed against the unpaid balance on the first day after the thirtieth  
13 day.

14 (10) The treasurer or corresponding officer of the employer shall  
15 pay to the State Treasurer no later than April 1 of the State's fiscal  
16 year in which payment is due the amount so certified as payable by  
17 the employer, and shall pay monthly to the State Treasurer the  
18 amount of the deductions from the salary of the members in the  
19 employ of the employer, and the State Treasurer shall credit such  
20 amount to the appropriate fund or funds, of the retirement system.

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

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

30 (11) The expenses of administration of the retirement system shall  
31 be paid by the State of New Jersey. Each employer shall reimburse  
32 the State for a proportionate share of the amount paid by the State for  
33 administrative expense. This proportion shall be computed as the  
34 number of members under the jurisdiction of such employer bears to  
35 the total number of members in the system. The pro rata share of the  
36 cost of administrative expense shall be included with the certification  
37 by the retirement system of the employer's contribution to the system.

38 (12) Notwithstanding anything to the contrary, the retirement  
39 system shall not be liable for the payment of any pension or other  
40 benefits on account of the employees or beneficiaries of any  
41 employer participating in the retirement system, for which reserves  
42 have not been previously created from funds, contributed by such  
43 employer or its employees for such benefits.

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

45 (14) Commencing with valuation year 1991, with payment to be  
46 made in Fiscal Year 1994, the Legislature shall annually appropriate  
47 and the State Treasurer shall pay into the pension accumulation fund  
48 of the retirement system an amount equal to 1.1% of the  
49 compensation of the members of the system for the valuation year to

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1 fund the benefits provided by section 16 of P.L.1964, c.241  
2 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

8 (16) The savings realized as a result of the amendments to this  
9 section by P.L.2001, c.44 in the payment of normal contributions  
10 computed by the actuary for the valuation periods ending June 30,  
11 1998 for employers other than the State shall be used solely and  
12 exclusively by a county or municipality for the purpose of reducing  
13 the amount that is required to be raised by the local property tax levy  
14 by the county for county purposes or by the municipality for  
15 municipal purposes, as appropriate. The Director of the Division of  
16 Local Government Services in the Department of Community Affairs  
17 shall certify for each year that each county or municipality has  
18 complied with the requirements set forth herein. If the director finds  
19 that a county or municipality has not used the savings solely and  
20 exclusively for the purpose of reducing the amount that is required to  
21 be raised by the local property tax levy by the county for county  
22 purposes or by the municipality for municipal purposes, as  
23 appropriate, the director shall direct the county or municipal  
24 governing body, as appropriate, to make corrections to its budget.  
25 (cf: P.L.2011, c.78, s.15)

26  
27 28. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to  
28 read as follows:

29 13. a. The State Investment Council shall consult with the  
30 Director of the Division of Investment from time to time with respect  
31 to the work of the division. It shall have access to all files and records  
32 of the division and may require any officer or employee therein to  
33 provide such information as it may deem necessary in the  
34 performance of its functions. The council shall have authority to  
35 inspect and audit the respective accounts and funds administered  
36 through the Division of Investment. It shall formulate and establish,  
37 and may from time to time amend, modify or repeal, such policies as  
38 it may deem necessary or proper, which shall govern the methods,  
39 practices or procedures for investment, reinvestment, purchase, sale  
40 or exchange transactions to be followed by the Director of the  
41 Division of Investment established hereunder, except that the  
42 provisions of this subsection shall not apply to the operations account  
43 of Common Pension Fund L established pursuant to section 6 of P.L.  
44 , c. (C. ) (pending before the Legislature as this bill).  
45 Notwithstanding any provision of the "Administrative Procedure  
46 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the  
47 council may adopt, immediately upon filing with the Office of  
48 Administrative Law such policies and regulations relating to the  
49 investment account, established pursuant to section 6 of P.L. , c.

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1 (C. ) (pending before the Legislature as this bill), as are necessary  
2 to implement that section, which regulations shall be effective for a  
3 period not to exceed 12 months following adoption, and may  
4 thereafter be amended, adopted, or  
5 readopted by the council in accordance with the requirements of the  
6 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
7 seq.).

8 b. On or before January first of each year, and at such other times  
9 as it may deem in the public interest, the council shall report to the  
10 Governor, the Legislature, and the State Treasurer with respect to its  
11 work and the work of the Division of Investment. In addition to the  
12 reports specified above and in section 14 of P.L.1950, c.270  
13 (C.52:18A-92), the council shall issue a report by March 1 of each  
14 year on the investment activities for the prior [calendar] State fiscal  
15 year, which shall include a summary of the current investment  
16 policies and strategies of the council and those in effect during the  
17 prior [calendar] State fiscal year, a detailed summary for each  
18 financial product of the amount invested, [whether the investments  
19 were made by employees of the Division of Investment or by external  
20 managers,] performance benchmarks, and actual performance during  
21 the [calendar] State fiscal year. The report shall be submitted to the  
22 Governor, the Legislature, and the State Treasurer, and shall be made  
23 available to the public through the official Internet site of the State.

24 c. The council shall hold a meeting each year that shall be open  
25 to the public, and shall accept comments from the public at such  
26 meeting. The matters that shall be open to discussion and public  
27 comment during this annual meeting shall include the investment  
28 policies and strategies of the council, the investment activities of the  
29 council, the financial disclosure statements filed by council  
30 members, and the certification of contributions filed by external  
31 managers, as well as other appropriate matters concerning the  
32 operations, activities and reports of the council.

33 d. An external manager shall be required to file a certification  
34 before being retained, and annually thereafter, that discloses the  
35 political contributions made, during the 12 months preceding the  
36 certification, by the manager or the manager's firm, or a political  
37 committee in which the manager or firm was active. The certification  
38 shall specify the political contributions made to candidates for  
39 elective public office in this State and any political committee  
40 established for the support of such candidates, and contributions  
41 made for the transition and inaugural expenses of any candidate who  
42 is elected to public office. As used in this subsection, "contribution"  
43 and "political committee" shall have the meaning set forth in "The  
44 New Jersey Campaign Contributions and Expenditures Reporting  
45 Act," P.L.1973, c.83 (C.19:44A-1 et al.). This certification shall be  
46 in addition to any other such disclosure required by law or executive  
47 order of the Governor.

48 (cf: P.L.2007, c.103, s.51)

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2       29. This act shall take effect immediately.