

## CHAPTER 78

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

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

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

Board of trustees, committee duties, appointment or election, terms, vacancies, oaths, voting, expenses.

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

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

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

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

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

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

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

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

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

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

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

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

The members of the committee shall serve for a term of three years and until a successor is appointed and qualified. Of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified. Of the initial appointments by the head of the union representing the greatest number of members of the retirement system, one member shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

When the retirement system, or a part of the system, has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee shall have the discretionary authority for the system or for that part, as appropriate, to (1) modify the: member contribution rate; formula for calculation of final compensation; the fraction of

compensation applied to service credited after the modification; age at which a member may be eligible for and the benefits for service or early retirement; and benefits provided for disability retirement; and (2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that the system or part is at or above the target funded ratio and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. The committee shall give priority consideration to subparagraph (2) of this paragraph. The committee shall not have the authority to change the years of creditable service required for vesting.

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

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

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

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

If any matter regarding benefits before the committee receives four votes in the affirmative and four votes in the negative or the committee otherwise reaches an impasse on a decision, the provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be followed.

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

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

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

C.43:6A-29 State House Commission, operation of system.

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

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

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

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

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

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

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

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

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

j. When the retirement system has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the commission shall have the discretionary authority for the system to (1) modify the: member contribution rate; formula for calculation of final salary; age at which a member may be eligible for and the benefits for service or early

retirement; and benefits provided for disability retirement; and (2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that the system is at or above the target funded ratio and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. The commission shall give priority consideration to subparagraph (2) of this paragraph. The commission shall not have the authority to change the years of creditable service required for vesting.

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

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

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

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

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

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

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

C.43:15A-17 Board of trustees, committees.

17. a. (1) Subject to the provisions of P.L.1955, c.70 the general responsibility for the proper operation of the Public Employees' Retirement System shall be vested in the board of trustees, and, as specified, the committees established pursuant to subsection b. of this section. Subject to the limitations of the law, the board shall annually establish rules and regulations for the administration and transaction of the board's and committees' business

and for the control of the funds created by this subtitle. Such rules and regulations shall be consistent with those adopted by the other pension funds within the Division of Pensions and Benefits in order to permit the most economical and uniform administration of all such retirement systems. The committees shall adopt such regulations as provided in subsection b. of this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

The members of each committee shall serve for a term of three years and until a successor is appointed and qualified. For each committee, of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified. For each committee, of the initial appointments by the Public Employee Committee of the AFL-CIO, one member shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

When a part of the system has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee for that part shall have the discretionary authority for that part to (1) modify the: member contribution rate; formula for calculation of final compensation; the fraction of compensation applied to service credited after the modification; age at which a member may be eligible for and the benefits for service or early retirement; and benefits provided for disability retirement; and (2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that the part is at or above the target funded ratio and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. A committee shall give priority consideration to subparagraph (2) of this paragraph. A committee shall not have the authority to change the years of creditable service required for vesting.

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

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

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

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

If any matter regarding benefits before a committee receives four votes in the affirmative and four votes in the negative or a committee otherwise reaches an impasse on a decision, the provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be followed.

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

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

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

C.43:16A-13 Police and Firemen's Retirement System, trustees, committees.

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

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

(a) Five members to be appointed by the Governor, with the advice and consent of the Senate, who shall serve for a term of office of four years and until their successors are appointed and who shall be private citizens of the State of New Jersey who are neither an



officer thereof nor an active or retired member of any police or fire department thereof. Of the four members initially appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be appointed for a term of one year, one for a term of two years, one for a term of three years, and one for a term of four years. The member appointed by the Governor pursuant to the provisions of this amendatory act, P.L.1995, c.238, shall serve for a term of four years and until a successor is appointed.

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

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

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

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

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

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

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

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

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

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

(10) The Attorney General of the State of New Jersey shall be the legal adviser of the retirement system, except that if the Attorney General determines that a conflict of interest would affect the ability of the Attorney General to represent the board or the committees on a matter affecting the retirement system, the board may select and employ legal counsel to advise and represent the board or the committees on that matter.

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

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

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

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

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

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

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

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

Each committee shall have five members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the retirement system, two members who shall be appointed by the head of the union representing the greatest number of police officer members of the retirement system having union membership, one member who shall be appointed by the head of the union representing the second greatest number of police officer members of the retirement system having union membership, one member who shall be appointed by the head of the union representing the greatest number of firefighter members of the retirement system having union membership, and one member who shall be appointed by the head of the union representing the second greatest number of firefighter members of the retirement system having union membership. The members of the committees shall not be appointed until that part of the system attains the target funded ratio.

The members of each committee shall serve for a term of three years and until a successor is appointed and qualified. For each committee, of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and two shall serve for one year and until a successor is appointed and qualified. For each committee, of the initial appointments by the head of the union representing the greatest number of police officer members of the retirement system, the members shall serve for two

years and until a successor is appointed and qualified. For each committee, of the initial appointment by the head of the union representing the greatest number of firefighter members of the retirement system, the member shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

When a part of the system, has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee for that part shall have the discretionary authority for that part to (1) modify the: member contribution rate; formula for calculation of final compensation; age at which a member may be eligible for and the benefits for service or special retirement; and benefits provided for disability retirement; and (2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that the part is at or above the target funded ratio and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. A committee shall give priority consideration to subparagraph (2) of this paragraph. A committee shall not have the authority to change the years of creditable service required for vesting.

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

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

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

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

If any matter regarding benefits before a committee receives five votes in the affirmative and five votes in the negative or the committee otherwise reaches an impasse on a decision, the provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be followed.

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

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

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

C.53:5A-30 State police retirement system trustees, committee.

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

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

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

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

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

c. Each trustee shall, after his appointment, take an oath of office that, so far as it devolves upon him, he will diligently and honestly fulfill his duties as a board member, and that he will not knowingly violate or permit to be violated any of the provisions of the law applicable to the retirement system. Such oath shall be subscribed by the member taking it,

and certified by the official before whom it is taken, and immediately filed in the office of the Secretary of State.

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

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

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

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

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

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

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

k. The Director of the Division of Pensions and Benefits of the State Department of the Treasury shall appoint a qualified member of the division who shall be the secretary of the board.

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

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

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

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

The members of the committee shall serve for a term of three years and until a successor is appointed and qualified. Of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified. Of the initial appointments by the State Troopers Fraternal Association, one member shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

When the retirement system has attained the target funded ratio as defined in section 27 of P.L.2011, c.78 (C.43:3C-16), the committee shall have the discretionary authority for the system to (1) modify the: member contribution rate; formula for calculation of final compensation or final salary; age at which a member may be eligible for and the benefits for service or special retirement; and benefits provided for disability retirement; and (2) activate the application of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that the system is at or above the target funded ratio and modify the basis for the calculation of the adjustment and set the duration and extent of the activation. The committee shall give priority consideration to subparagraph (2) of this paragraph. The committee shall not have the authority to change the years of creditable service required for vesting.

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

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

The members of the committee shall have the same duty and responsibility to the retirement system as do the members of the board of trustees. No decision of the committee shall be implemented if the direct or indirect result of the decision will be that the system's

funded ratio falls below the target funded ratio in any valuation period during the 30 years following the implementation of the decision. The actuary of the fund shall make a determination of the result in that regard and submit that determination in a written report to the committee and the board prior to the implementation of the decision.

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

If any matter regarding benefits before the committee receives four votes in the affirmative and four votes in the negative or the committee otherwise reaches an impasse on a decision, the provisions of section 33 of P.L.2011, c.78 (C.43:3C-17) shall be followed.

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

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

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

Officers, actuary, legal adviser, secretary.

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

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

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

The chief or assistant chief of the office of secretarial services of the Division of Pensions and Benefits of the State Department of the Treasury, shall be the secretary of the board.

The chief and assistant chief of the office of secretarial services shall be in the competitive division of the State classified service. The secretary presently in office shall hold the position as chief of the office of secretarial services subject to all of the provisions of Title 11 of the Revised Statutes and shall not be removed from said office except in the manner provided under the provisions of said title relating to permanent employees in the competitive division of the State classified service. The board of trustees shall select its secretary from among the eligible candidates.

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

C.43:15A-18 Officers, actuary, legal adviser, secretary.

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

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

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

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

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

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

Members' contribution rate.

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

Members enrolled in the retirement system on or after July 1, 2007 shall contribute 5.5% of compensation to the system. Members enrolled in the system prior to July 1, 2007 shall



contribute 5.5% of compensation to the system effective with the payroll period for which the beginning date is closest to July 1, 2007.

Members of the retirement system shall contribute 6.5% of compensation to the system on and after the effective date of P.L.2011, c.78, with an additional contribution of 1% to be phased-in in equal increments over a period of seven years commencing with the first year following that effective date.

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

C.43:6A-34.1 Annuity savings fund, payroll deductions.

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

b. There shall be deducted from the payroll of each member of the system 3% of the amount of any difference between the salary on or after January 19, 1982 for any judicial position held by the member and the salary for that position on January 18, 1982, except that there shall be deducted from the payroll of each new member initially enrolled on or after January 1, 1996, in the retirement system, 3% of the salary for the judicial position held by the member. There shall be deducted from the payroll of each member of the system on and after the effective date of P.L.2011, c.78 an additional 9% of the salary for the judicial position held by the member phased-in in equal increments over a period of seven years.

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

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

C.43:15A-25 Annuity savings fund, members' contributions.

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

b. (1) Members enrolled in the retirement system on or after July 1, 1994 shall contribute 5% of compensation to the system. Members enrolled in the system prior to July 1, 1994 shall contribute 5% of compensation to the system effective with the payroll period for which the beginning date is closest to July 1, 1995, provided, however, that any member enrolled

before July 1, 1994, whose full contribution rate under the system prior to the revisions by this act was less than 6%, shall pay 4% of compensation to the system effective with the payroll period for which the beginning date is closest to July 1, 1995, and 5% of compensation to the system effective with the payroll period for which the beginning date is closest to July 1, 1996.

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

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

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

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

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

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

(3) Members of the retirement system shall contribute 6.5% of compensation to the system on and after the effective date of P.L.2011, c.78, with an additional contribution of 1% to be phased in in equal increments over a period of seven years commencing with the first year following that effective date.

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

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

d. Every employee to whom this act applies shall be deemed to consent and agree to any deduction from his compensation required by this act and to all other provisions of this act. Notwithstanding any other law, rule or regulation affecting the salary, pay, compensation, other perquisites, or tenure of a person to whom this act applies, or shall apply, and notwithstanding that the minimum salary, pay, or compensation or other perquisites provided by law for him shall be reduced thereby, payment, less such deductions, shall be a full and complete discharge and acquittance of all claims and demands for service rendered by him during the period covered by such payment.

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

C.43:15A-104 Contribution rate.

8. The percentage contribution rate of each member who is a law enforcement officer shall be fixed according to his age at the time of becoming a permanent and full-time employee of the State and shall be 1/2 of the total percentage contribution rate calculated for such age by the actuary of the board of trustees to be required to provide all benefits of service retirement, ordinary disability retirement, and termination of service benefits provided by this act and the act to which this act is a supplement. In the event that a member ceases to hold a position as a law enforcement officer although continuing his employment in a position covered by the Public Employees' Retirement System, his rate of contribution shall be fixed in accordance with the rates applicable at that time to persons becoming members who are not law enforcement officers, except that his age at the time of becoming a permanent full-time employee of the State shall be used in determining his rate of contribution. Members of the retirement system shall contribute 6.5% of compensation to the system on and after the effective date of P.L.2011, c.78, with an additional contribution of 1% to be phased-in in equal increments over a period of seven years commencing with the first year following that effective date.

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

C.43:15A-136 Accounts in annuity savings fund; contributions.

2. Notwithstanding the provisions of section 25 of P.L.1954, c.84 (C.43:15A-25), (a) a separate account shall be established in the annuity savings fund for each member of the Legislature and all contributions based on legislative salaries shall be credited to this account as distinguished from any other account that the legislator may have as a result of other public service covered by the retirement system; and (b) the member of the Legislature shall contribute at a rate equal to 5% of his legislative salary, which contribution shall be deducted from his salary at the time or times it is paid, and which shall be exclusive of any other contribution required of the member for Social Security, contributory death benefits or deductions for any other purpose. The contribution rate shall be 5.5% of the member's legislative salary beginning July 1, 2007. The contribution rate shall be 6.5% of the member's legislative salary on and after the effective date of P.L.2011, c.78, with an additional contribution of 1% to be phased-in in equal increments over a period of seven years commencing with the first year following that effective date.

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

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

C.43:15A-144 Separate accounts, contributions.

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

b. A workers compensation judge shall contribute at a rate equal to 5% of the judge's salary, which contribution shall be deducted from the salary at the time or times it is paid, and which shall be exclusive of any other contribution required of the member for Social Security, contributory death benefits or deductions for any other purpose. The contribution rate shall be 5.5% of the judge's salary effective with the payroll period for which the beginning date is closest to July 1, 2007. The contribution rate shall be 6.5% of the judge's salary on and after the effective date of P.L.2011, c.78, with an additional contribution of 1% to be phased in in equal increments over a period of seven years commencing with the first year following that effective date.

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

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

C.43:15A-157 Separate account for each prosecutor, rate.

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

b. A prosecutor shall contribute at a rate established by the board, which contribution shall be deducted from the salary at the time or times it is paid, and which shall be exclusive of any other contribution required of the prosecutor for Social Security, contributory death benefits or deductions for any other purpose. The contribution rate shall be 10% of the prosecutor's salary on and after the effective date of P.L.2011, c.78.

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

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

C.43:16A-15 Contributions, expenses of administration.

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

(2) The uniform percentage contribution rate for members shall be 8.5% of compensation. Members of the retirement system shall contribute 10% of compensation to the system on and after the effective date of P.L.2011, c.78.

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

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

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

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

(7) Each employer shall cause to be deducted from the salary of each member the percentage of earnable compensation prescribed in subsection (2) of this section. To

facilitate the making of deductions, the retirement system may modify the amount of deduction required of any member by an amount not to exceed 1/10 of 1% of the compensation upon which the deduction is based.

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

(9) With respect to employers other than the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute the amount of the accrued liability as of June 30, 1991 under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. Using the total amount of this unfunded accrued liability, the actuary shall compute the initial amount of contribution which, if the contribution is paid annually in level dollars for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the time period for full funding of this liability, which shall not exceed 40 years on initial application of this section as amended by this act, P.L.1994, c.62. This shall be known as the "accrued liability contribution." Any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for the 10 valuation years following valuation year 1991 shall serve to increase or decrease, respectively, the unfunded accrued liability contribution. Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2018 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2028 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

With respect to the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability, computed under the projected unit credit method, which is

not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is paid annually in level dollars for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2018 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2028 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1995 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the percentage of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1998 for the State shall be 100% and for other employers shall be 57% plus such additional percentage as is equivalent to \$150,000,000. Notwithstanding the first sentence of this paragraph, the amount of the difference between the expected value and the

full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1999 shall include an additional amount of the market value of the assets sufficient to fund (1) the unfunded accrued liability for the supplementary "special retirement" allowances provided under subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the full credit toward benefits under the retirement system for service credited in the Public Employees' Retirement System and transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the cost of any credit purchase pursuant to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201 (C.43:16A-3.14).

"Excess valuation assets" means, with respect to the valuation assets allocated to the State, the valuation assets allocated to the State for a valuation period less the actuarial accrued liability of the State for the valuation period, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, and less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero. "Excess valuation assets" means, with respect to the valuation assets allocated to other employers, the valuation assets allocated to the other employers for a valuation period less the actuarial accrued liability of the other employers for the valuation period, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1993, c.99 for the other employers, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, and less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero.

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

If there are excess valuation assets allocated to the other employers for the valuation period ending June 30, 1998, the accrued liability contributions payable by the other

employers for the valuation period ending June 30, 1997 shall be reduced to the extent possible by the excess valuation assets allocated to the other employers.

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

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

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

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

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

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

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

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

The State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State to 50 percent of the amount certified annually by the retirement system for payments due in the State fiscal year ending June 30, 2009. An employer that elects to pay the reduced normal and accrued liability contribution shall adopt a resolution, separate and apart from other budget resolutions, stating that the employer needs to pay the reduced contribution and providing an explanation of that need which shall include (1) a description of its inability to meet the levy cap without jeopardizing public safety, health, and welfare or without jeopardizing the fiscal stability of the employer, or (2) a description of another condition that offsets the long term fiscal impact of the payment of the reduced contribution. An employer also shall document those actions it has taken to reduce its operating costs, or provide a description of relevant anticipated circumstances that



could have an impact on revenues or expenditures. This resolution shall be submitted to and approved by the Local Finance Board after making a finding that these fiscal conditions are valid and affirming the findings contained in the employer resolution.

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

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

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

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

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

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

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

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

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

(14) Commencing with valuation year 1991, with payment to be made in Fiscal Year 1994, the Legislature shall annually appropriate and the State Treasurer shall pay into the

pension accumulation fund of the retirement system an amount equal to 1.1% of the compensation of the members of the system for the valuation year to fund the benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

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

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

C.53:5A-38 Payroll deductions; amount.

38. There shall be deducted from the payroll of each active member of the system 7 1/2% of the amount of his salary, which shall be turned over to the State Treasurer and be credited by him to the account of the State Police Retirement System. Members of the retirement system shall contribute 9% of salary to the system on and after the effective date of P.L.2011, c.78.

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

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

Early retirement.

18A:66-37. Should a member resign after having established 25 years of creditable service before reaching age 60, or before reaching the age of 62 if the person became a member of the retirement system on or after the effective date of P.L.2008, c.89, or after having established 30 years of creditable service before reaching the age of 65 if the person became a member of the retirement system on or after the effective date of P.L.2011, c.78, the member may elect "early retirement," provided, that such election is communicated by such member to the retirement system by filing a written application, duly attested, stating at what time subsequent to the execution and filing thereof the member desires to be retired. The member shall receive, in lieu of the payment provided in N.J.S.18A:66-34, an annuity

which is the actuarial equivalent of the member's accumulated deductions and a pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of  $1/64$  of the member's final compensation for each year of service credited as class A service and  $1/55$  of the member's final compensation for each year of service credited as class B service, or for a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1  $1/60$  of final compensation for each year of service credited as class B service, calculated in accordance with N.J.S.18A:66-44, reduced:

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

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

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

(d) for a person who becomes a member of the retirement system on or after the effective date of P.L.2011, c.78, by  $1/4$  of 1% for each month that the member lacks of being age 65; provided, however, that upon the receipt of proper proofs of the death of such a member there shall be paid to the member's beneficiary an amount equal to  $3/16$  of the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service or in the year of the member's highest contractual salary, whichever is higher.

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

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

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

C.43:15A-41 Withdrawal from service; early retirement; death benefits.

41. a. A member who withdraws from service or ceases to be an employee for any cause other than death or retirement shall, upon the filing of an application therefor, receive all of his accumulated deductions standing to the credit of his individual account in the annuity savings fund, plus regular interest, less any outstanding loan, except that for any period after June 30, 1944, the interest payable shall be such proportion of the interest determined at the regular rate of 2% per annum bears to the regular rate of interest, and except that no interest shall be payable in the case of a member who has less than three years of membership credit for which he has made contributions. He shall cease to be a member two years from the date he discontinued service as an eligible employee, or, if prior thereto, upon payment to him of his accumulated deductions. If any such person or member shall die before withdrawing or before endorsing the check constituting the return of his accumulated deductions, such deductions shall be paid to the member's beneficiary. No member shall be entitled to withdraw the amounts contributed by his employer covering his military leave unless he shall have returned to the payroll and contributed to the retirement system for a period of 90 days.

b. Should a member resign after having established 25 years of creditable service before reaching age 60, or before reaching age 62 if the person became a member of the retirement system on or after the effective date of P.L.2008, c.89, or after having established 30 years of creditable service before reaching the age of 65 if the person became a member of the retirement system on or after the effective date of P.L.2011, c.78, he may elect "early retirement," provided, that such election is communicated by such member to the retirement system by filing a written application, duly attested, stating at what time subsequent to the execution and filing thereof he desires to be retired. He shall receive, in lieu of the payment provided in subsection a. of this section, an annuity which is the actuarial equivalent of his accumulated deductions together with regular interest, and a pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 1/64 of final compensation for each year of service credited as Class A service and 1/55 of final compensation for each year of service credited as Class B service, or for a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1 1/60 of final compensation for each year of service credited as Class B service, calculated in accordance with section 48 (C.43:15A-48) of this act, reduced:

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

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

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

(d) for a person who becomes a member of the retirement system on or after the effective date of P.L.2011, c.78, by 1/4 of 1% for each month that the member lacks of being age 65; provided, however, that upon the receipt of proper proofs of the death of such a member there shall be paid to his beneficiary an amount equal to three-sixteenths of the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service.

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

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

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

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

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

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

## C.43:16A-11.1 Special retirement; allowance; death benefits.

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

- (1) An annuity which shall be the actuarial equivalent of his aggregate contributions, and
- (2) A pension in the amount which, when added to the member's annuity, will provide (a) for a person who is a member on the effective date of P.L.2011, c.78, a total retirement allowance of 65% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30 or (b) for a person who becomes a member of the retirement system after that effective date, a total retirement allowance of 60% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

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

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

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

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

## Contingent reserve fund.

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

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

b. Upon the basis of the tables recommended by the actuary which the board of trustees adopts and regular interest, the actuary of the board shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, including the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if paid annually in level dollars for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2029 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

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

Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1999 shall be the full market value of the assets as of that date.

"Excess valuation assets" for a valuation period means:

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

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

- (1) for valuation periods ending March 31, 1997 through March 31, 2001, to the extent possible by up to 100% of the excess valuation assets;
- (2) for the valuation period ending March 31, 2002, to the extent possible by up to 84% of the excess valuation assets;
- (3) for the valuation period ending March 31, 2003, to the extent possible by up to 68% of the excess valuation assets; and
- (4) for valuation periods ending March 31, 2004 through June 30, 2007, to the extent possible by up to 50% of the excess valuation assets.

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

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

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

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

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

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

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

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

C.43:6A-33 Computation of contributions; valuation of assets; contingent reserve fund.

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

b. Upon the basis of the tables recommended by the actuary which the commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if paid annually in level dollars for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the commission and the actuary, the time period for full funding of



this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2029 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

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

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

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

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

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

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

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

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

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

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

C.43:15A-24 Contingent reserve fund.

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

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

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

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

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

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation

period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending March 31, 1996 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1999 shall be the full market value of the assets as of that date.

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

- (1) the valuation assets allocated to the State; less
- (2) the actuarial accrued liability of the State for basic benefits and pension adjustment benefits under the retirement system; less
- (3) the contributory group insurance premium fund, created by section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4 of P.L.1960, c.79; less
- (4) the post retirement medical premium fund, created pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section 8 of P.L.1994, c.62; less
- (5) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits for the State authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in period, determined in the manner prescribed for the determination and amortization of the unfunded accrued liability of the system, if the sum of the foregoing items is greater than zero.

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

- (1) the valuation assets allocated to the other employers; less
- (2) the actuarial accrued liability of the other employers for basic benefits and pension adjustment benefits under the retirement system, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other than the State; less
- (3) the contributory group insurance premium fund, created by section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4 of P.L.1960, c.79; less
- (4) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits for the other employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in period, determined in the manner prescribed for the determination and amortization of the unfunded accrued liability of the system, if the sum of the foregoing items is greater than zero.

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 which have not yet been paid to the retirement system shall be reduced to the extent possible by the excess valuation assets allocated to the State or to the other employers, respectively, provided that with respect to the excess valuation assets allocated to the State, the General Fund balances that would have been paid to the retirement system except for this provision

shall first be allocated as State aid to public schools to the extent that additional sums are required to comply with the May 14, 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If there are excess valuation assets allocated to the State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C.53:5A-34 Contingent reserve fund.

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

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

b. Upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if paid annually in level dollars for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2029 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation

period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1996 shall be the full market value of the assets as of that date and shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system.

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

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

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

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

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

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

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

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

C.43:4B-1 Retirement Systems Actuary Selection Committee.

19. There is hereby established the Retirement Systems Actuary Selection Committee which shall consist of the State Treasurer, and the directors of the Divisions of Pensions and Benefits and Investment, and Office of Management and Budget, or their designated representatives, and one member designated by each of the boards of trustees of the Public



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

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

C.43:3B-2 Adjustment of monthly retirement allowance, pension or survivorship benefit.

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

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

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

Commencing with the effective date of P.L.2011, c.78 and thereafter, no further adjustments to the monthly retirement allowance or pension originally granted to any retirant and the pension or survivorship benefit granted to any beneficiary shall be made in accordance with the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the adjustment is reactivated as permitted by law. This provision shall not reduce the monthly retirement benefit that a retirant or a beneficiary is receiving on the effective date of P.L.2011, c.78 when the benefit includes an adjustment granted prior to that effective date.

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

C.43:3C-9.5 "Non-forfeitable right to receive benefits."

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

b. Vested members of the Teachers' Pension and Annuity Fund, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, and the State Police Retirement System, upon the attainment of five years of service credit in the retirement system or fund or on the date of enactment of this bill, whichever is

later, shall have a non-forfeitable right to receive benefits as provided under the laws governing the retirement system or fund upon the attainment of five years of service credit in the retirement system or fund or on the effective date of this act, whichever is later. This subsection shall not be applicable to a person who becomes a member of these systems or funds on or after the effective date of P.L.2010, c.1, except that such person shall not include a person who at the time of enrollment in the retirement system or fund on or after that effective date transfers service credit, as permitted, from another State-administered retirement system or fund of which the person was a member immediately prior to the effective date and continuously thereafter, but shall include a former member of the retirement system or fund who has been granted a retirement allowance and is reenrolled in the retirement system or fund on or after that effective date after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

c. (1) The State and all other applicable employers shall make their annual normal contribution to each system or fund as determined by the applicable board of trustees in consultation with the system's or fund's actuary. The State and all other applicable employers shall also make their annual unfunded accrued liability contribution to each system or fund as determined by the applicable board in consultation with the system's or fund's actuary, pursuant to standard actuarial practices authorized by law, unless: (1) there is no existing unfunded accrued liability contribution due to the system or fund at the close of the valuation period applicable to the upcoming fiscal year; or (2) there are excess valuation assets in excess of the actuarial accrued liability of the system or fund at the close of the valuation period applicable to the upcoming fiscal year. The annual normal contribution plus the annual unfunded accrued liability contribution shall together be the annual required contribution, provided, however, that for the State, section 38 of P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's annual required contribution. The amount of the State's annually required contributions shall be included in all annual appropriations acts as a dedicated line item.

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

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

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

C.43:3C-16 "Target funded ratio."

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

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

C.52:18A-83 State Investment Council established; membership; terms.

5. a. There is hereby established in the Division of Investment a State Investment Council which shall consist of 16 members.

(1) Each of the following agencies, namely, the Board of Trustees of the Public Employees' Retirement System, the Board of Trustees of the Teachers' Pension and Annuity Fund, and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey, shall designate one board member elected to serve on the board, to serve as a member of the State Investment Council herein established. The three members of the council so designated shall serve as such for a period of three years from the date of their designation and until their respective successors are in like manner designated.

(2) Eight of the members of the State Investment Council shall be appointed by the Governor, with the advice and consent of the Senate, for a term of five years and shall serve until the member's successor is appointed and has qualified. Of the initial members appointed following the effective date of P.L.2011, c.78, one shall serve for an initial period of three years, and one shall serve for an initial period of two years.

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

(4) Two members of the State Investment Council shall be appointed by the Governor from among six persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO and shall serve for a term of five years and until the member's successor is appointed and has qualified. At least one of the two members appointed shall be a member of a union representing police officers or firefighters. If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

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

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

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

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

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

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

The members of the council shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties as approved by the chairman of the council. The members of the council shall be required to file the same annual financial disclosure statements as those required to be filed by members of other State boards and commissions who are not compensated for their services, as such statements shall be required by law or executive order of the Governor. The financial disclosure statements of council members shall be made available to the public in the same manner as the statements of members of other State boards and commissions are made available to the public.

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

c. The terms of the members of the council serving pursuant to paragraph (1) of subsection a. of this section and serving on the effective date of P.L.2011, c.78 are terminated as of that effective date. A member terminated pursuant to this subsection shall be eligible for reappointment.

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

Trustees to control funds, investment council member, finance committee.

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

An elected member of the board of trustees to be designated by a majority vote thereof shall serve on the state investment council as a representative of said board of trustees, for a term of three years and until a successor is designated and qualified.

The finance committee of the board of trustees shall be appointed on or before July 1 of each calendar year by the chairman of the board of trustees to serve through June 30 of the ensuing calendar year and until their successors are appointed. The finance committee of the board of trustees shall consist of three members of the board of trustees, one of whom shall be the State Treasurer.

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

C.43:15A-32 Management of funds.

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

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

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

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

C.43:16A-14 Management of funds.

14. (1) The board of trustees shall be and are hereby constituted trustees of the various funds and accounts established by this act; provided, however, that all functions, powers and duties relating to the investment or reinvestment of moneys of, and purchase, sale or exchange of any investments or securities, of or for any fund or account established under this act shall be exercised and performed by the director of the Division of Investment in accordance with the provisions of chapter 270, of the laws of 1950. The secretary of the board of trustees shall determine from time to time the cash requirements of the various funds and accounts established by this act and the amount available for investment, all of which shall be certified to the Director of the Division of Investment.

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

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

(3) (Deleted by amendment.)

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

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

C.53:5A-31 Administration of funds.

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

b. The secretary of the board shall determine from time to time the cash requirements of the various funds established by this act and the amount available for investment, all of which shall be certified to the Director of the Division of Investment.

c. (Deleted by amendment, P.L.2011, c.78).

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

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

C.43:3C-17 Utilization of super conciliator.

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

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

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

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

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

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

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

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

C.43:15A-57.2 Reemployment of retired former member.

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

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

Upon subsequent retirement of such member, his former retirement allowance shall be reinstated together with any optional selection, based on his former membership. In

addition, he shall receive an additional retirement allowance based on his subsequent service as a member computed in accordance with applicable provisions of chapter 84 of the laws of 1954; provided, however, that his total retirement allowance upon such subsequent retirement shall not be a greater proportion of his final compensation than the proportion to which he would have been entitled had he remained in service during the period of his prior retirement. Any death benefit to which such member shall be eligible shall be based on his latest retirement, but shall not be less than the death benefit that was applicable to his former retirement.

b. The cancellation, re-enrollment, and additional retirement allowance provisions of subsection a. of this section shall not apply to a former member of the retirement system who, after having been granted a retirement allowance, becomes employed again by: (1) an employer or employers in a position or positions for which the aggregate compensation does not exceed \$15,000 per year; or (2) if the compensation exceeds \$10,000 per year, by an employer that is a public institution of higher education as defined in N.J.S.18A:62-1 in a teaching staff position. The Director of the Division of Pensions and Benefits may from time to time adjust the amount in paragraph (1) of this subsection. This adjustment shall be  $\frac{3}{5}$  of the percentage of change in the index, as defined in section 1 of P.L.1958, c.143 (C.43:3B-1), over a period of time as determined by the director.

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

d. The cancellation, reenrollment, and additional retirement allowance provisions of subsections a., b., and c. of this section shall not apply to a former member of the retirement system who was granted a retirement allowance pursuant to section 1 of P.L.1985, c.414 (C.43:15A-47.2) prior to the effective date of P.L.2011, c.78.

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

C.43:16A-15.3 Reemployment of retiree; cancellation of benefits; reenrollment.

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

Such person shall be reenrolled in the retirement system and shall contribute thereto at a rate based on his age at the time of reenrollment. Such person shall be treated as an active member for determining disability or death benefits while in service. Upon subsequent retirement of such member, his former retirement allowance shall be reinstated based on his



former membership. In addition, he shall receive an additional retirement allowance based on his subsequent service as a member computed in accordance with applicable provisions of this chapter; provided, however, that his total retirement allowance upon such subsequent retirement shall not be a greater proportion of his average final compensation or final compensation, whichever is applicable, than the proportion to which he would have been entitled had he remained in service during the period of his prior retirement. Any death benefit to which such member shall be eligible shall be based on his latest retirement, but shall not be less than the death benefit that was applicable to his former retirement.

b. The cancellation, reenrollment, and additional retirement allowance provisions of subsection a. of this section shall not apply to a former member of the retirement system who was granted a retirement allowance pursuant to section 1 of P.L.1999, c.96 (C.43:16A-5.1) prior to the effective date of P.L.2011, c.78.

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

C.52:14-17.46.4 Administration of School Employees' Health Benefits Program.

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

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

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

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

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

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

Retirement for service age limits.

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

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

(c) A person who becomes a member on or after the effective date of P.L.2011, c.78 and has attained 65 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

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

C.43:15A-47 Retirement based on age.

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

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

c. A person who becomes a member on or after the effective date of P.L.2011, c.78 and has attained 65 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within one month after the date so specified as the board finds advisable.

C.52:14-17.28c Amount of contribution to be paid.

39. The amount of contribution to be paid pursuant to the provisions of sections 40, 41, and 42 of P.L.2011, c.78 (C.52:14-17.28d, C.18A:16-17.1, and C.40A:10-21.1) by public employees of the State or of employers other than the State for health care benefits coverage for the employee and any dependent shall be as follows:

for family coverage or its equivalent -

an employee who earns less than \$25,000 shall pay 3 percent of the cost of coverage;

an employee who earns \$25,000 or more but less than \$30,000 shall pay 4 percent of the cost of coverage;

an employee who earns \$30,000 or more but less than \$35,000 shall pay 5 percent of the cost of coverage;

an employee who earns \$35,000 or more but less than \$40,000 shall pay 6 percent of the cost of coverage;

an employee who earns \$40,000 or more but less than \$45,000 shall pay 7 percent of the cost of coverage;

an employee who earns \$45,000 or more but less than \$50,000 shall pay 9 percent of the cost of coverage;

an employee who earns \$50,000 or more but less than \$55,000 shall pay 12 percent of the cost of coverage;

an employee who earns \$55,000 or more but less than \$60,000 shall pay 14 percent of the cost of coverage;

an employee who earns \$60,000 or more but less than \$65,000 shall pay 17 percent of the cost of coverage;

an employee who earns \$65,000 or more but less than \$70,000 shall pay 19 percent of the cost of coverage;

an employee who earns \$70,000 or more but less than \$75,000 shall pay 22 percent of the cost of coverage;

an employee who earns \$75,000 or more but less than \$80,000 shall pay 23 percent of the cost of coverage;

an employee who earns \$80,000 or more but less than \$85,000 shall pay 24 percent of the cost of coverage;

an employee who earns \$85,000 or more but less than \$90,000 shall pay 26 percent of the cost of coverage;

an employee who earns \$90,000 or more but less than \$95,000 shall pay 28 percent of the cost of coverage;

an employee who earns \$95,000 or more but less than \$100,000 shall pay 29 percent of the cost of coverage;

an employee who earns \$100,000 or more but less than \$110,000 shall pay 32 percent of the cost of coverage;

an employee who earns \$110,000 or more shall pay 35 percent of the cost of coverage for individual coverage or its equivalent -

an employee who earns less than \$20,000 shall pay 4.5 percent of the cost of coverage;

an employee who earns \$20,000 or more but less than \$25,000 shall pay 5.5 percent of the cost of coverage;

an employee who earns \$25,000 or more but less than \$30,000 shall pay 7.5 percent of the cost of coverage;

an employee who earns \$30,000 or more but less than \$35,000 shall pay 10 percent of the cost of coverage;

an employee who earns \$35,000 or more but less than \$40,000 shall pay 11 percent of the cost of coverage;

an employee who earns \$40,000 or more but less than \$45,000 shall pay 12 percent of the cost of coverage;

an employee who earns \$45,000 or more but less than \$50,000 shall pay 14 percent of the cost of coverage;

an employee who earns \$50,000 or more but less than \$55,000 shall pay 20 percent of the cost of coverage;

an employee who earns \$55,000 or more but less than \$60,000 shall pay 23 percent of the cost of coverage;

an employee who earns \$60,000 or more but less than \$65,000 shall pay 27 percent of the cost of coverage;

an employee who earns \$65,000 or more but less than \$70,000 shall pay 29 percent of the cost of coverage;

an employee who earns \$70,000 or more but less than \$75,000 shall pay 32 percent of the cost of coverage;

an employee who earns \$75,000 or more but less than \$80,000 shall pay 33 percent of the cost of coverage;

an employee who earns \$80,000 or more but less than \$95,000 shall pay 34 percent of the cost of coverage;

an employee who earns \$95,000 or more shall pay 35 percent of the cost of coverage;

for member with child or spouse coverage or its equivalent -

an employee who earns less than \$25,000 shall pay 3.5 percent of the cost of coverage;

an employee who earns \$25,000 or more but less than \$30,000 shall pay 4.5 percent of the cost of coverage;

an employee who earns \$30,000 or more but less than \$35,000 shall pay 6 percent of the cost of coverage;

an employee who earns \$35,000 or more but less than \$40,000 shall pay 7 percent of the cost of coverage;

an employee who earns \$40,000 or more but less than \$45,000 shall pay 8 percent of the cost of coverage;

an employee who earns \$45,000 or more but less than \$50,000 shall pay 10 percent of the cost of coverage;

an employee who earns \$50,000 or more but less than \$55,000 shall pay 15 percent of the cost of coverage;

an employee who earns \$55,000 or more but less than \$60,000 shall pay 17 percent of the cost of coverage;

an employee who earns \$60,000 or more but less than \$65,000 shall pay 21 percent of the cost of coverage;

an employee who earns \$65,000 or more but less than \$70,000 shall pay 23 percent of the cost of coverage;

an employee who earns \$70,000 or more but less than \$75,000 shall pay 26 percent of the cost of coverage;

an employee who earns \$75,000 or more but less than \$80,000 shall pay 27 percent of the cost of coverage;

an employee who earns \$80,000 or more but less than \$85,000 shall pay 28 percent of the cost of coverage;

an employee who earns \$85,000 or more but less than \$100,000 shall pay 30 percent of the cost of coverage.

an employee who earns \$100,000 or more shall pay 35 percent of the cost of coverage.

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

As used in this section, "cost of coverage" means the premium or periodic charges for medical and prescription drug plan coverage, but not for dental, vision, or other health care, provided under the State Health Benefits Program or the School Employees' Health Benefits Program; or the premium or periodic charges for health care, prescription drug, dental, and vision benefits, and for any other health care benefit, provided pursuant to P.L.1979, c.391 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by a local board of education, local unit or agency thereof, and including a county college, an independent State authority as defined in section 43 of P.L.2011, c.78 (C.52:14-17.34a), and a local authority as

defined in section 44 of P.L.2011, c.78 (C.40A:5A-11.1), when the employer is not a participant in the State Health Benefits Program or the School Employees' Health Benefits Program.

C.52:14-17.28d Contribution toward cost of health care benefits.

40. a. Notwithstanding the provisions of any other law to the contrary, public employees of the State and employers other than the State shall contribute, through the withholding of the contribution from the pay, salary, or other compensation, toward the cost of health care benefits coverage for the employee and any dependent provided under the State Health Benefits Program or the School Employees' Health Benefits Program in an amount that shall be determined in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c), except that, an employee employed on the date on which the contribution commences, as specified in subsection c. of this section, shall pay:

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

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

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

as that amount is calculated in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c).

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

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

b. (1) Notwithstanding the provisions of any other law to the contrary, public employees of the State and employers other than the State, as those employees are specified in paragraph (2) of this subsection, shall contribute, through the withholding of the contribution from the monthly retirement allowance, toward the cost of health care benefits coverage for the employee in retirement and any dependent provided under the State Health Benefits Program or the School Employees' Health Benefits Program in an amount that shall be determined in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c) by using the percentage applicable to the range within which the annual retirement allowance, and any future cost of living adjustments thereto, falls. The retirement allowance, and any future cost of living adjustments thereto, shall be used to identify the percentage of the cost of coverage.

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

(a) State employees and employees of an independent State authority, board, commission, corporation, agency, or organization for whom there is a majority representative for collective negotiations purposes who accrue 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems on or after the effective date of P.L.2011, c.78, or on or after the expiration of an applicable binding collective negotiations agreement in force on that effective date, and who retire on or after that effective date or expiration date, excepting employees who elect deferred retirement;

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

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

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

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

(3) Employees described in paragraph (2) of this subsection who have 20 or more years of creditable service in one or more State or locally-administered retirement systems on the effective date of P.L.2011, c.78 shall not be subject to the provisions of this subsection.

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

c. The contribution required under subsection a. of this section shall commence: (1) upon the effective date of P.L.2011, c.78 for employees who do not have a majority representative for collective negotiations purposes, notwithstanding that the terms of a collective negotiations agreement binding on the employer have been applied or have been

deemed applicable to those employees by the commission or the employer, or have been used to modify the respective payment obligations of the employer and those employees in a manner consistent with those terms, as permitted by law, before that effective date; and (2) upon the expiration of any applicable binding collective negotiations agreement in force on that effective date for employees covered by that agreement with the contribution required for the first year under subsection a. of this section commencing in the first year after that expiration, or upon the effective date of P.L.2011, c.78 if such an agreement has expired before that effective date with the contribution required for the first year under subsection a. of this section commencing in the first year after that effective date.

Once those employees are subjected to the contribution requirements set forth in subsection a. of this section, the public employers and public employees shall be bound by this act, P.L.2011, c.78, to apply the contribution levels set forth in section 39 of this act until all affected employees are contributing the full amount of the contribution, as determined by the implementation schedule set forth in subsection a. of this section. Notwithstanding the expiration date set forth in section 83 of this act, P.L.2011, c.78, or the expiration date of any successor agreements, the parties shall be bound to apply the requirements of this paragraph until they have reached the full implementation of the schedule set forth in subsection a. of this section.

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

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

A qualified retiree under section 1 of P.L.1997, c.330 (C.52:14-17.32i) who meets the eligibility requirements on or after the effective date of P.L.2011, c.78 shall not pay less than the contribution required under subsection b. of this section, including as specified in paragraph (3) of subsection b. of this section. Part-time State employees and part-time faculty members participating under section 1 of P.L.2003, c.172 (C.52:14-17.33a) shall not pay less than the contribution specified in subsection a. of this section. Subsection b. of this section shall apply under subsection b. of section 7 of P.L.1964, c.125 (C.52:14-17.38) to a surviving spouse of a retired employee of an employer other than the State and the employee's dependents in the same manner as to the retiree at the time of death.

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

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

d. Any extension, alteration, re-opening, amendment or other adjustment to a collective negotiations agreement in force on the effective date of P.L.2011, c.78, or to an agreement

that is expired on that effective date, shall be considered a new collective negotiations agreement entered into after that effective date for the purposes of this section.

C.18A:16-17.1 Contributions by employees of a local board of education toward cost of health care benefits coverage.

41. a. Notwithstanding the provisions of any other law to the contrary, public employees, as specified herein, of a local board of education shall contribute, through the withholding of the contribution from the pay, salary, or other compensation, toward the cost of health care benefits coverage for the employee and any dependent provided pursuant to P.L.1979, c.391 (C.18A:16-12 et seq.), unless the provisions of subsection b. of this section apply, in an amount that shall be determined in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c), except that, employees employed on the date on which the contribution commences, as specified in subsection c. of this section, shall pay:

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

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

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

as that amount is calculated in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c).

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

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

b. A board of education may enter into a contract or contracts to provide health care benefits including prescription drug benefits and other health care benefits, as may be required to implement a duly executed collective negotiations agreement, and may provide through such agreement for an amount of employee contribution as a cost share or premium share that is other than the percentage required under subsection a. of this section, if the total aggregate savings during the term of the agreement from employee contributions or plan design, or both, from that agreement as applied to employees covered by that agreement, and to employees not covered by that agreement but to whom the agreement has been applied by the employer, if any, equals or exceeds the annual savings that would have resulted had those employees made the contributions required under subsection a. of this section plus the annual savings resulting to the plans within the School Employees' Health Benefits Program as a result of plan design changes made pursuant to P.L.2011, c.78.

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



c. The contribution under subsection a. of this section shall commence: (1) upon the effective date of P.L.2011, c.78 for employees who do not have a majority representative for collective negotiations purposes, notwithstanding that the terms of a collective negotiations agreement binding on the employer have been applied or have been deemed applicable to those employees by the employer, or have been used to modify the respective payment obligations of the employer and those employees in a manner consistent with those terms, before that effective date; and (2) upon the expiration of any applicable binding collective negotiations agreement in force on that effective date for employees covered by that agreement with the contribution required for the first year under subsection a. of this section commencing in the first year after that expiration, or upon the effective date of P.L.2011, c.78 if such an agreement has expired before that effective date with the contribution required for the first year under subsection a. of this section commencing in the first year after that effective date.

Once those employees are subjected to the contribution requirements set forth in subsection a. of this section, the public employers and public employees shall be bound by this act, P.L.2011, c.78, to apply the contribution levels set forth in section 39 of this act until all affected employees are contributing the full amount of the contribution, as determined by the implementation schedule set forth in subsection a. of this section. Notwithstanding the expiration date set forth in section 83 of this act, P.L.2011, c.78, or the expiration date of any successor agreements, the parties shall be bound to apply the requirements of this paragraph until they have reached the full implementation of the schedule set forth in subsection a. of this section.

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

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

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

d. Any extension, alteration, re-opening, amendment or other adjustment to a collective negotiations agreement in force on the effective date of P.L.2011, c.78, or to an agreement that is expired on that effective date, shall be considered a new collective negotiations agreement entered into after that effective date for the purposes of this section.

#### C.40A:10-21.1 Contributions of employees of local unit, agency toward health care benefits.

42. a. Notwithstanding the provisions of any other law to the contrary, public employees, as specified herein, of a local unit or agency thereof, herein referred to as an employer, shall contribute, through the withholding of the contribution from the pay, salary, or other compensation, toward the cost of health care benefits coverage for the employee and any dependent provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions of subsection c. of this section apply, in an amount that shall be determined in accordance with section 39

of P.L.2011, c.78 (C.52:14-17.28c), except that, employees employed on the date on which the contribution commences, as specified in subsection d. of this section, shall pay:

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

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

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

as that amount is calculated in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c).

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

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

b. (1) Notwithstanding the provisions of any other law to the contrary, public employees of an employer, as those employees are specified in paragraph (2) of this subsection, shall contribute, through the withholding of the contribution from the monthly retirement allowance, toward the cost of health care benefits coverage for the employee in retirement and any dependent provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions of subsection c. of this section apply, in an amount that shall be determined in accordance with section 39 of P.L.2011, c.78 (C.52:14-17.28c) using the percentage applicable to the range within which the annual retirement allowance, and any future cost of living adjustments thereto, falls. The retirement allowance, and any future cost of living adjustments thereto, shall be used to identify the percentage of the cost of coverage.

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

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

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

(3) Employees described in paragraph (2) of this subsection who have 20 or more years of creditable service in one or more State or locally-administered retirement systems on the effective date of P.L.2011, c.78 shall not be subject to the provisions of this subsection.

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

c. A local unit may enter into a contract or contracts to provide health care benefits, including prescription drug benefits and other health care benefits, as may be required to implement a duly executed collective negotiations agreement, and may provide through such agreement for an amount of employee or retiree contribution as a cost share or premium share that is other than the percentage required under subsection a. or b., or both, of this section, if the total aggregate savings during the term of that agreement from such contributions or plan design, or both, from that agreement as applied to employees and retirees covered by that agreement, and to employees and retirees not covered by that agreement but to whom the agreement has been applied by the employer, if any, equals or exceeds the annual savings that would have resulted had those employees or retirees made the contributions required under subsection a. or b., or both, of this section plus the annual savings resulting to the plans within the State Health Benefits Program as a result of plan design changes made pursuant to P.L.2011, c.78.

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

d. The contribution under subsection a. of this section shall commence: (1) upon the effective date of P.L.2011, c.78 for employees who do not have a majority representative for collective negotiations purposes, notwithstanding that the terms of an applicable collective negotiations agreement binding on the employer have been applied or have been deemed applicable to those employees by the employer, or have been used to modify the respective payment obligations of the employer and those employees in a manner consistent with those terms, before that effective date; and (2) upon the expiration of any applicable binding collective negotiations agreement in force on that effective date for employees covered by that agreement with the contribution required for the first year under subsection a. of this section commencing in the first year after that expiration, or upon the effective date of P.L.2011, c.78 if such an agreement has expired before that effective date with the contribution required for the first year under subsection a. of this section commencing in the first year after that effective date.

Once those employees are subjected to the contribution requirements set forth in subsection a. of this section, the public employers and public employees shall be bound by this act, P.L.2011, c.78, to apply the contribution levels set forth in section 39 of this act until all affected employees are contributing the full amount of the contribution, as determined by the implementation schedule set forth in subsection a. of this section. Notwithstanding the expiration date set forth in section 83 of this act, P.L.2011, c.78, or the expiration date of any successor agreements, the parties shall be bound to apply the

requirements of this paragraph until they have reached the full implementation of the schedule set forth in subsection a. of this section.

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

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

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

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

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

e. Any extension, alteration, re-opening, amendment or other adjustment to a collective negotiations agreement in force on the effective date of P.L.2011, c.78, or to an agreement that is expired on that effective date, shall be considered a new collective negotiations agreement entered into after that effective date for the purposes of this section.

C.52:14-17.34a "Independent state authority."

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

Notwithstanding the provisions of any other law to the contrary, public employees of an independent State authority who are not subject to the provisions of section 40 of P.L.2011, c.78 (C.52:14-17.28d) shall contribute, through the withholding of the contribution from the pay, salary, or other compensation or from the monthly retirement allowance, toward the cost of health care benefits coverage for the employee and any dependent provided by the authority during active service and in retirement in an amount that shall be determined as closely as possible in accordance with sections 39 and 40 of P.L.2011, c.78 (C.52:14-17.28c and C.52:14-17.28d).

Once those employees are subjected to the contribution requirements set forth in this section, the public employers and public employees shall be bound by this act, P.L.2011, c.78, to apply the contribution levels set forth in section 39 of this act until all affected employees are contributing the full amount of the contribution, as determined by the implementation schedule set forth in subsection a. of section 40 of this act. Notwithstanding the expiration date set forth in section 83 of this act, P.L.2011, c.78, or the expiration date of any successor agreements, the parties shall be bound to apply the requirements of this

paragraph until they have reached the full implementation of the schedule set forth in subsection a. of section 40 of this act.

C.40A:5A-11.1 "Local authority."

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

Notwithstanding the provisions of any other law to the contrary, public employees of a local authority who are not subject to the provisions of sections 40 and 42 of P.L.2011, c.78 (C.52:14-17.28d and C.40A:10-21.1) shall contribute, through the withholding of the contribution from the pay, salary, or other compensation or from the monthly retirement allowance, toward the cost of health care benefits coverage for the employee and any dependent provided by the local authority during active service and in retirement in an amount that shall be determined as closely as possible in accordance with sections 39 and 42 of P.L.2011, c.78 (C.52:14-17.28c and C.40A:10-21.1).

Once those employees are subjected to the contribution requirements set forth in this section, the public employers and public employees shall be bound by this act, P.L.2011, c.78, to apply the contribution levels set forth in section 39 of this act until all affected employees are contributing the full amount of the contribution, as determined by the implementation schedule set forth in subsection a. of section 42 of this act. Notwithstanding the expiration date set forth in section 83 of this act, P.L.2011, c.78, or the expiration date of any successor agreements, the parties shall be bound to apply the requirements of this paragraph until they have reached the full implementation of the schedule set forth in subsection a. of section 40 of this act.

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

C.52:14-17.27 State Health Benefits Commission, State Health Benefits Plan Design Committee.

3. a. There is hereby created a State Health Benefits Commission, consisting of five members: the State Treasurer; the Commissioner of Banking and Insurance; the Chairperson of the Civil Service Commission; a State employees' representative chosen by the Public Employees' Committee of the AFL-CIO; and the fifth member of the commission shall be a local employees' representative chosen by the Public Employees' Committee of the AFL-CIO.

The treasurer shall be chairman of the commission and the health benefits program authorized by P.L.1961, c.49 shall be administered in the Treasury Department. The Director of the Division of Pensions and Benefits shall be the secretary of the commission. The commission and committee shall establish a health benefits program for the employees of the State, the cost of which shall be paid as specified in section 6 of P.L.1961, c.49 (C.52:14-17.30). The commission, in consultation with the committee, shall establish rules and regulations as may be deemed reasonable and necessary for the administration of P.L.1961, c.49.

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

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

The commission shall publish annually a report showing the fiscal transactions of the program for the preceding year and stating other facts pertaining to the plan. The commission

shall submit the report to the Governor and furnish a copy to every employer for use of the participants and the public.

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

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

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

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

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

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

The members of the committee shall serve for a term of three years and until a successor is appointed and qualified. Of the initial appointments by the Governor, three members shall serve for two years and until a successor is appointed and qualified, and two shall serve for one year and until a successor is appointed and qualified. Of the initial appointment by the head of the union representing the greatest number of police officers in the State, the member shall serve for two years and until a successor is appointed and qualified. Of the initial appointment by the head of the union representing the greatest number of firefighters in the State, the member shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

If any matter before the committee receives six votes in the affirmative and six votes in the negative or the committee otherwise reaches an impasse on a decision, the provisions of section 55 of P.L.2011, c.78 (C.52:14-17.27b) shall be followed.

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

C.52:14-17.46.3 School Employees' Health Benefits Commission, School Employees' Health Benefits Plan Design Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The members of the committee shall serve for a term of three years and until a successor is appointed and qualified. Of the initial appointments by the Governor, two members shall serve for two years and until a successor is appointed and qualified, and one shall serve for one year and until a successor is appointed and qualified. Of the initial appointments by the New Jersey Education Association, one member shall serve for one year and until a successor is appointed and qualified.

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

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

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

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

If any matter before the committee receives three votes in the affirmative and three votes in the negative or the committee otherwise reaches an impasse on a decision, the provisions of section 55 of P.L.2011, c.78 (C.52:14-17.27b) shall be followed.

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

C.52:14-17.29 State health benefits program, coverages, options.

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

(1) Basic benefits which shall include:

(a) Hospital benefits, including outpatient;

(b) Surgical benefits;

(c) Inpatient medical benefits;

(d) Obstetrical benefits; and

(e) Services rendered by an extended care facility or by a home health agency and for specified medical care visits by a physician during an eligible period of such services, without regard to whether the patient has been hospitalized, to the extent and subject to the conditions and limitations agreed to by the commission and the carrier or carriers.

Basic benefits shall be substantially equivalent to those available on a group remittance basis to employees of the State and their dependents under the subscription contracts of the



New Jersey "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall include benefits for:

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

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

(2) Major medical expense benefits which shall provide benefit payments for reasonable and necessary eligible medical expenses for hospitalization, surgery, medical treatment and other related services and supplies to the extent they are not covered by basic benefits. The commission may, by regulation, determine what types of services and supplies shall be included as "eligible medical services" under the major medical expense benefits coverage as well as those which shall be excluded from or limited under such coverage. Benefit payments for major medical expense benefits shall be equal to a percentage of the reasonable charges for eligible medical services incurred by a covered employee or an employee's covered dependent, during a calendar year as exceed a deductible for such calendar year of \$100.00 subject to the maximums hereinafter provided and to the other terms and conditions authorized by this act. The percentage shall be 80% of the first \$2,000.00 of charges for eligible medical services incurred subsequent to satisfaction of the deductible and 100% thereafter. There shall be a separate deductible for each calendar year for (a) each enrolled employee and (b) all enrolled dependents of such employee. Not more than \$1,000,000.00 shall be paid for major medical expense benefits with respect to any one person for the entire period of such person's coverage under the plan, whether continuous or interrupted except that this maximum may be reapplied to a covered person in amounts not to exceed \$2,000.00 a year. Maximums of \$10,000.00 per calendar year and \$20,000.00 for the entire period of the person's coverage under the plan shall apply to eligible expenses incurred because of mental illness or functional nervous disorders, and such may be reapplied to a covered person, except as provided in P.L.1999, c.441 (C.52:14-17.29d et al.). The same provisions shall apply for retired employees and their dependents. Under the conditions agreed upon by the commission and the carriers as set forth in the contract, the deductible for a calendar year may be satisfied in whole or in part by eligible charges incurred during the last three months of the prior calendar year.

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

(B) The contract or contracts purchased by the commission pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall include coverage for services and benefits that are at a level that is equal to or exceeds the level of services and benefits set forth in this subsection, provided that such services and benefits shall include only those that are eligible medical services and not those deemed experimental, investigative or otherwise not eligible

medical services. The determination of whether services or benefits are eligible medical services shall be made by the commission consistent with the best interests of the State and participating employers, employees, and dependents. The following list of services is not intended to be exclusive or to require that any limits or exclusions be exceeded.

Covered services shall include:

(1) Physician services, including:

(a) Inpatient services, including:

(i) medical care including consultations;

(ii) surgical services and services related thereto; and

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

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

(i) office visits for covered services and care;

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

(iii) dialysis center care;

(iv) maternity care;

(v) well child care;

(vi) child immunizations/lead screening;

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

(viii) annual routine obstetrical/gynecological exam.

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

(a) room and board;

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

(c) semi-private room;

(d) therapy and diagnostic services;

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

(f) nursing care;

(g) necessary supplies, medicines, and equipment for care; and

(h) maternity care and related services.

(3) Other facility and services, including:

(a) approved treatment centers for medical emergency/accidental injury;

(b) approved surgical center;

(c) hospice;

(d) chemotherapy;

(e) diagnostic x-ray and lab tests;

(f) ambulance;

(g) durable medical equipment;

(h) prosthetic devices;

(i) foot orthotics;

(j) diabetic supplies and education; and

(k) oxygen and oxygen administration.

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

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

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

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

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

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

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

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

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

(G) A contract purchased by the commission pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall contain a provision that if basic benefits or major medical expense benefits of an employee or of an eligible dependent under the contract, after having been in effect for at least one month in the case of basic benefits or at least three months in the case of major medical expense benefits, is terminated, other than by voluntary

cancellation of enrollment, there shall be a 31-day period following the effective date of termination during which such employee or dependent may exercise the option to convert, without evidence of good health, to converted coverage issued by the carriers on a direct payment basis. Such converted coverage shall include benefits of the type classified as "basic benefits" or "major medical expense benefits" in subsection (A) hereof and shall be equivalent to the benefits which had been provided when the person was covered as an employee. The provision shall further stipulate that the employee or dependent exercising the option to convert shall pay the full periodic charges for the converted coverage which shall be subject to such terms and conditions as are normally prescribed by the carrier for this type of coverage.

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

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

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

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

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

C.52:14-17.46.6 Benefits required for coverage under contract; terms defined.

36. a. Notwithstanding the provisions of any other law to the contrary, the commission shall not enter into a contract under the School Employees' Health Benefits Program Act, sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-17.46.11), for the benefits provided pursuant to the act, unless the level of benefits provided under the contract entered into is equal to or exceeds the level of benefits provided in this section, or as modified pursuant to section 40 of that act (C.52:14-17.46.10). Only benefits for medically necessary services that are not deemed experimental, investigative or otherwise not eligible medical services shall be provided. The determination that services are not "eligible medical

services" shall be made by the commission consistent with the best interests of the State, participating employers and those persons covered hereunder. Benefits for services provided pursuant to the School Employees' Health Benefits Act shall be subject to limits or exclusions consistent with those that apply to benefits provided pursuant to the New Jersey State Health Benefits Program Act. The services provided pursuant to this section shall include all services, subject to applicable limits and exclusions, provided through the State Health Benefits Program as of July 1, 2007. The list of services in subsection b. of this section is not intended to be exclusive or to require that any limits or exclusions be exceeded.

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

(1) Physician services, including:

(a) Inpatient services, including:

(i) medical care including consultations;

(ii) surgical services and services related thereto; and

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

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

(i) office visits for covered services and care;

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

(iii) dialysis center care;

(iv) maternity care;

(v) well child care;

(vi) child immunizations/lead screening;

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

(viii) annual routine obstetrical/gynecological exam.

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

(a) room and board;

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

(c) semi-private room;

(d) therapy and diagnostic services;

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

(f) nursing care;

(g) necessary supplies, medicines, and equipment for care; and

(h) maternity care and related services.

(3) Other facility and services, including:

(a) approved treatment centers for medical emergency/accidental injury;

(b) approved surgical center;

(c) hospice;

(d) chemotherapy;

(e) diagnostic x-ray and lab tests;

(f) ambulance;

(g) durable medical equipment;

(h) prosthetic devices;

(i) foot orthotics;

(j) diabetic supplies and education; and

(k) oxygen and oxygen administration.

c. Benefits under the contract or contracts purchased as authorized by the School Employees' Health Benefits Program Act shall include those for the treatment of alcoholism where such treatment is prescribed by a physician and shall also include treatment while

confined in or as an outpatient of a licensed hospital or residential treatment program which meets minimum standards of care equivalent to those prescribed by the Joint Commission on Hospital Accreditation. No benefits shall be provided beyond those stipulated in the contracts held by the School Employees' Health Benefits Commission.

d. Benefits under the contract or contracts purchased as authorized by the School Employees' Health Benefits Program Act shall include those for mental health services subject to limits and exclusions consistent with those that apply to benefits for such services pursuant to the New Jersey State Health Benefits Program Act. Coverage for biologically-based mental illness, as defined in section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).

e. Coverage provided under the School Employees' Health Benefits Program Act shall include coverage for all services for which coverage is mandated in the State Health Benefits Program pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).

f. (1) As used in this subsection:

(a) "brand name" means the proprietary or trade name assigned to a drug product by the manufacturer or distributor of the drug product.

(b) "carrier" means an insurance company, hospital, medical, or health service corporation, preferred provider organization, or health maintenance organization under agreement or contract with the commission to administer the School Employee Prescription Drug Plan.

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

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

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

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

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

(h) "other brands" means prescription drug products which are not preferred brands or generic drug products. A new drug product approved by the United States Food and Drug Administration which is not a generic drug product shall be included in this category until

the carrier makes a determination concerning inclusion of the drug product in the list of preferred brands.

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

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

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

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

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

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

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

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

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

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

(h) In the fifth year following the initial appointment of all of its members, the commission shall, as part of the fifth year audit and review undertaken pursuant to section 40 of that act (C.52:14-17.46.10), review the prescription drug program established in this subsection and may make changes in the program pursuant to the terms of section 40 by majority vote of the full authorized membership of the commission.

g. Beginning January 1, 2012, the School Employees' Health Benefits Plan Design Committee shall provide to employees the option to select one of at least three levels of coverage each for family, individual, individual and spouse, and individual and dependent, or equivalent categories, for each plan offered by the program differentiated by out of pocket costs to employees including co-payments and deductibles. Notwithstanding any other provision of law to the contrary, the committee shall have the sole discretion to set the amounts for maximums, co-pays, deductibles, and other such participant costs for all plans in

the program. The committee shall also provide for a high deductible health plan that conforms with Internal Revenue Code Section 223.

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

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

C.52:14-17.46.7 Offer of managed care plan, terms.

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

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

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

Beginning with the initial year of the School Employees' Health Benefits Program, the commission shall be authorized to offer to participating employers and qualified employees, retirees and dependents managed care plans in which the in-network per visit charge shall not exceed \$15 per visit and the out of network reimbursement shall be 70% of reasonable and customary charges as defined herein, provided the in-network and out-of-network maximums and deductibles do not exceed the limits set forth above.

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

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

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

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



50. The Division of Pensions and Benefits in the Department of the Treasury shall conduct a study of: the risk impact of permitting employers to commence and to terminate participation in the State Health Benefits Program and the School Employees' Health Benefits Program; the long term sustainability of the programs; employee wellness programs; options for out-of-network cost containment; and the impact on the programs of the provisions of P.L.2011, c.78. The division shall conclude its study within one year following the effective date of P.L.2011, c.78 and submit a written report of its conclusions and recommendations to the Governor and the Legislature.

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

C.18A:16-19.1 Establishment of cafeteria plan for health benefits by board of education.

44. Notwithstanding the provisions of any other law to the contrary, a board of education, or an agency or instrumentality thereof, may establish as an employer a cafeteria plan for its employees pursuant to section 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and shall establish such a plan for medical or dental expenses not covered by a health benefits plan. The plan shall provide for a reduction in an employee's salary, through payroll deductions or otherwise, in exchange for payment by the employer of medical or dental expenses not covered by a health benefits plan, and may provide for a reduction in an employee's salary, through payroll deductions or otherwise, in exchange for payment by the employer of dependent care expenses as provided in section 129 of the code, 26 U.S.C. s.129, and such other benefits as are consistent with section 125 which are included under the plan. The amount of any reduction in an employee's salary for the purpose of contributing to the plan shall continue to be treated as regular compensation for all other purposes, including the calculation of pension contributions and the amount of any retirement allowance, but, to the extent permitted by the federal Internal Revenue Code, shall not be included in the computation of federal taxes withheld from the employee's salary.

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

C.40A:10-23.5 Establishment of cafeteria plan for health benefits by local unit.

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

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

C.52:14-15.1a Establishment of cafeteria plan; payroll deductions.

7. Notwithstanding the provisions of any other law to the contrary, the State Treasurer on behalf of the State, and the governing body of an independent State authority, board, commission, corporation, agency or organization may establish as an employer a cafeteria plan for its employees pursuant to section 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and shall establish such a plan for medical or dental expenses not covered by a health benefits plan. The plan shall provide for a reduction in an employee's salary, through payroll deductions or otherwise, in exchange for payment by the employer of medical or dental expenses not covered by a health benefits plan, and may provide for a reduction in an employee's salary, through payroll deductions or otherwise, in exchange for payment by the employer of dependent care expenses as provided in section 129 of the code, 26 U.S.C. s.129, and such other benefits as are consistent with section 125 which are included under the plan. The amount of any reduction in an employee's salary for the purpose of contributing to the plan shall continue to be treated as regular compensation for all other purposes, including the calculation of pension contributions and the amount of any retirement allowance, but, to the extent permitted by the federal Internal Revenue Code, shall not be included in the computation of federal taxes withheld from the employee's salary.

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

C.52:14-17.46.9 Obligations of employer for charges for benefits; School Employee Health Benefits Program Fund.

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

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

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

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

d. Notwithstanding any law to the contrary and except as provided by amendment by P.L.2010, c.2, and by P.L.2011, c.78, the payment in full of premium or periodic charges for eligible retirees and their dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without alteration or interruption and there shall be no premium sharing or periodic charges for certain school employees in retirement once they have met the criteria for vesting for pension benefits, which criteria for purposes of this subsection only shall mean the criteria for vesting in the Teachers' Pension and Annuity Fund. For purposes of this subsection, "premium sharing or periodic charges" shall mean payments by eligible retirees based upon a proportion of the premiums for health care benefits.

#### C.52:14-17.27b Utilization of super conciliator.

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

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

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

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

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

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

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

56. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to read as follows:  
C.43:3C-9.1 Corpus, income of retirement systems, restrictions on use, diversions.

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

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

C.43:3C-9.2 Limitations on contributions, benefits.

2. Notwithstanding any law, rule or regulation to the contrary, the contributions to and benefits payable under the Teachers' Pension and Annuity Fund, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, the State Police Retirement System, the Alternate Benefit Program, and the Defined Contribution Retirement Program shall not exceed the limitations provided under section 415 of the federal Internal Revenue Code. The Division of Pensions and Benefits in the Department of the Treasury shall be responsible for implementation and enforcement of these limitations.

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

C.43:3C-9.4 Alternate Benefit Program, Defined Contribution Retirement Program, compensation limitation not to be exceeded.

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

b. Notwithstanding any law, rule or regulation to the contrary, for members of the Defined Contribution Retirement Program, the amount of compensation which may be used for employer

and member contributions shall not exceed the compensation limitation of section 401(a)(17) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(17)), as amended from time to time.

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

C.43:3C-9.6 Accrued benefits, rights of members.

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

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

C.43:3C-18 Qualified governmental defined benefit plans.

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

b. Notwithstanding any law, rule or regulation to the contrary, the Alternate Benefit Program, established pursuant to P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined Contribution Retirement Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.) are established as qualified governmental defined contribution plans pursuant to sections 401(a) and 414(d) of the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such other provision of the federal Internal Revenue Code, as applicable, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

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

C.43:3C-19 Member fully vested in accumulated contributions.

61. a. A member shall be fully vested in his or her accumulated contributions at all times.

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

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

C.43:3C-20 Administration in accordance with rollover requirements.

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

C.43:3C-21 Qualified military service.

63. Effective December 12, 1994, notwithstanding any other provision of the retirement system law, contributions, benefits and service credit with respect to qualified military service are governed by section 414(u) of the federal Internal Revenue Code (26 U.S.C. s.414(u)) and the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. s.4301 et seq.).

C.43:3C-22 Prohibited transactions.

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

C.43:3C-23 Participation in qualified group trust.

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

C.43:3C-24 Funding, payment of other post-employment benefits.

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

b. There is hereby established the State of New Jersey Other Post-Employment Benefits (OPEB) Fund, which is intended to qualify as an instrumentality of the State or a political subdivision of the State under section 115 of the Internal Revenue Code of 1986 (26 U.S.C. s.115), as amended. The assets of the OPEB Fund shall be used only to fund and pay post-employment benefits other than pensions, and the reasonable cost of administering such benefits, with respect to eligible retired employees, and their dependents, of non-State participating employers, and deposits and contributions to the OPEB Fund shall be irrevocable except as specifically provided in subsection i. of this section. The OPEB Fund shall be a trust, trust account or custodial account, the assets of which shall be deemed an arrangement equivalent to a trust for all legal purposes, and shall be established by means of appropriate documentation so as to be exempt from taxation under the provisions of applicable federal and State tax law, which shall contain such terms and conditions as are required to comply with all State and federal law including but not limited to the following:

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

(2) In the event that the OPEB Fund has obtained a ruling from the Internal Revenue Service concerning only the federal tax treatment of the OPEB Fund's income, that ruling may not be

cited or relied upon by any non-State participating employer as precedent concerning any matter relating to the non-State participating employer's health plans, including post-retirement health plans. In particular, that ruling shall have no effect on whether contributions to the non-State participating employer's health plans or payments from the non-State participating employer's health plans, including reimbursements of medical expenses, are excludable from the gross income of employees, former employees or retirees, under the Internal Revenue Code of 1986, as amended.

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

c. The assets of the OPEB Fund shall be segregated from all other funds of the State and the non-State participating employers, including without limitation the fund described in section 48 of P.L.2007, c.103 (C.52:14-17.32a1), and shall be invested and administered solely in the interest of retired employees, and their dependents, of non-State participating employers entitled to post-employment benefits other than pensions provided by the State Health Benefits Program. However, the OPEB Fund may be invested in a group trust established pursuant to section 401(a)(24) of the Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended. Neither the State, the State Legislature, the State Health Benefits Commission, the Treasurer of the State of New Jersey, the Division of Pensions and Benefits in the Department of the Treasury, nor any public officer, employee or agency, nor service provider to the OPEB Fund, shall use or authorize the use of assets contributed to the OPEB Fund, or the investment earnings thereon, for any purpose other than the provision of post-employment benefits other than pensions in accordance with the terms of the State Health Benefits Program applicable to retired employees, and their dependents, of non-State participating employers, and the defraying of the reasonable costs of administering the OPEB Fund and the benefits provided by means of the OPEB Fund. The assets constituting the OPEB Fund shall under no circumstances be subject to assignment or alienation in favor of the creditors of the State or any non-State participating employer, or of the individuals or entities that administer the State Health Benefits Program or the OPEB Fund. Private parties' interests shall neither materially participate in the OPEB Fund nor benefit more than incidentally from the operation or earnings of the OPEB Fund.

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

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



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

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

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

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

#### C.18A:66-168.1 Termination of portion of alternate benefit program.

67. With respect to the portion of the alternate benefit program, P.L.1969, c.242 (C.18A:66-167 et seq.), that is subject to section 403(b) of the federal Internal Revenue Code (26 U.S.C. s. 403(b)), the State may terminate the 403(b) portion of the alternate benefit program only as permitted by the applicable regulations of the United States Department of the Treasury.

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

C.52:18A-108 Definitions.

2. As used in this act:

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

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

c. "State administered retirement system" means any of the following retirement plans: Public Employees' Retirement System of New Jersey established pursuant to chapter 84, P.L.1954; Teachers' Pension and Annuity Fund established pursuant to chapter 37, P.L.1955; Police and Firemen's Retirement System of New Jersey established pursuant to chapter 255, P.L.1944; Consolidated Police and Firemen's Pension Fund established pursuant to chapter 358, P.L.1952; Prison Officers' Pension Fund established pursuant to chapter 220, P.L.1941; and State Police Retirement and Benevolent Fund established pursuant to chapter 188, P.L.1925.

69. Section 6 of P.L.1963, c.123 (C.52:18A-112) is amended to read as follows:

C.52:18A-112 Participation; application for enrollment.

6. A member of a State administered retirement system or an employee of a board of education, as defined in N.J.S.18A:1-1, regularly scheduled to work 20 or more hours per week may become a participant by filing an application for enrollment in either the Variable Division or the Fixed Division, or both, in accordance with rules and regulations established by the council. An employee regularly works less than 20 hours per week if, for the 12-month period beginning on the date the employee's employment commenced, the employee's employer reasonably expects the employee to work fewer than 1,000 hours of service, as defined under section 410(a)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C. s.410(a)(3)(C)), and, for each plan year ending after the close of that 12-month period, the employee has worked fewer than 1,000 hours of service.

70. Section 1 of P.L.1995, c.92 (C.52:18A-113.2) is amended to read as follows:

C.52:18A-113.2 Tax-deferred annuity, education employees; written agreement to reduce salary.

1. a. The Department of Education, the Commission on Higher Education, and the governing body of any public institution of education may enter into a written agreement with any of its employees to reduce the employee's annual salary for the purpose of investing in a tax-deferred annuity for the employee pursuant to section 403(b) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.403(b)), as amended. Investments shall be (1) with an insurer or mutual fund company authorized to provide investment contracts under the alternate benefit program; (2) in investment contracts authorized under the program for supplemental retirement benefits which meet the requirements of section 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), as amended; and (3) on the same terms and conditions provided for participants in the alternate benefit program.

b. An agreement (1) shall specify the amount and the effective date of the reduction; (2) shall be subject to filing with and approval by the State Treasurer or filing with and approval by the governing body of the institution of public higher education, as appropriate; and (3) shall be legally binding and irrevocable with respect to the amounts earned while the agreement is in effect. The total amount of the reduction in an employee's salary pursuant hereto, for any calendar year, shall not exceed the lesser of (a) the applicable dollar amount or (b) the participant's Includible Compensation for the calendar year. Includible Compensation is an employee's actual wages in box 1 of Form W-2 for a year for services to the employer, but subject to a maximum of \$200,000, or such higher maximum as may apply under section 401(a)(17) of the federal Internal Revenue Code (26 U.S.C. s.401(a)(17), and increased up to the dollar maximum by any compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the federal Internal Revenue Code (26 U.S.C. s.125, 132(f), 401(k), 403(b), or 457(b)). The amount of Includible Compensation is determined without regard to any community property laws. The applicable dollar amount is the amount established under section 402(g)(1)(B) of the federal Internal Revenue Code (26 U.S.C. s.402(g)(1)(B)), which is \$16,500 for 2011, and is adjusted for cost-of-living after 2011 to the extent provided under section 415(d) of the federal Internal Revenue Code (26 U.S.C. s.415(d)). The total amount of the reduction in an employee's salary pursuant hereto, for any calendar year, when added to the contributions made in the year on behalf of the employee in accordance with section 7 of P.L.1963, c.123 (C.52:18A-113), exceed the limitations set forth in section 415 (c) of the federal Internal Revenue Code (26 U.S.C.s.415 (c)). For the purposes of this section, if the participant is or has been a participant in one or more other plans under section 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), and any other plan that permits elective deferrals under section 402(g) of the federal Internal Revenue Code (26 U.S.C. s.402(g)), then this plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations.

c. An agreement may be terminated at any time upon written notice by either the employee or the employer. Termination shall take effect at the beginning of the payroll period whose first day is nearest to the 30th day following the day on which notification of termination was (1) received by the employer, in the event termination is initiated by the employee, or (2) sent to the employee, in the event termination is initiated by the employer.

d. Amounts payable pursuant to this section by an employer on behalf of an employee for a payroll period shall be transmitted and credited not later than the fifth business day after the date on which the employee is paid for that pay period.

e. The plan described in subsection a. of this section shall be known as the New Jersey Additional Contributions Tax-Sheltered Program.

71. Section 2 of P.L.1995, c.92 (C.52:18A-113.3) is amended to read as follows:

C.52:18A-113.3 Reduction of employee's salary; benefits.

2. Upon approval and filing, the State Treasurer or the applicable governing body of a public institution of education shall reduce an employee's salary pursuant to the agreement and shall pay an amount equal to the amount agreed upon for the salary reduction as an employer contribution to the issuer of the employee's annuity. Participation in a reduction of salary pursuant to this act shall not cause the employee to lose any benefits under a State-administered retirement system to which the employee would otherwise be entitled had the employee not agreed to a reduction in salary for the purpose of purchasing a tax-deferred annuity. Employee contributions and any survivor's benefit shall be paid on the basis of the employee's salary without regard to the reduction authorized by this act.

72. Section 3 of P.L.1995, c.92 (C.52:18A-113.4) is amended to read as follows:

C.52:18A-113.4 Payments for annuity.

3. Payments for tax-deferred annuities shall be made by the State Treasurer or the applicable governing body of a public institution of education to the issuers of the annuities out of moneys available for the salaries of employees who have entered into agreements pursuant to this act.

73. Section 1 of P.L.1996, c.77 (C.52:18A-113.6) is amended to read as follows:

C.52:18A-113.6 Transfer of certain annuity funds.

1. Employees of the Department of Education, the Commission on Higher Education, or the governing body of any public institution of education who are participants in the Supplemental Annuity Collective Trust pursuant to section 403(b) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.403(b)), as amended, shall transfer all funds that they may have invested as participants in the Supplemental Annuity Collective Trust to a tax-deferred annuity with an insurer or mutual fund company authorized to provide investment contracts under the alternate benefit program pursuant to the provisions of P.L.1995, c.92 (C.52:18A-113.2 et seq.).

74. Section 9 of P.L.1963, c.123 (C.52:18A-115) is amended to read as follows:

C.52:18A-115 Investment of assets of Variable Division.

9. The assets of the Variable Division shall be invested and reinvested principally in common stocks and securities which are convertible into common stocks. Such common stocks and securities shall be traded on a securities exchange in the United States or over-the-counter market.

C.52:18A-170.1 Amendment, termination of Supplemental Annuity Collective Trust.

75. With respect to the portion of the Supplemental Annuity Collective Trust that is subject to section 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), the State may terminate the Supplemental Annuity Collective Trust as provided in this section.

a. The State enacted P.L.1963, c.123 (C.52:18A-107 et seq.) with the intention and expectation that contributions would be continued to the Supplemental Annuity Collective Trust program indefinitely. The State, however, has no obligation or liability whatsoever to maintain the program for any length of time and may discontinue contributions under the program at any time without any liability hereunder for any discontinuance.

b. The State reserves the authority to amend or terminate the Supplemental Annuity Collective Trust program at any time and for any reason.

c. The State may provide that, in connection with a termination of the program, all accounts will be distributed, provided that the State and any related employer on the date of termination do not make contributions to an alternative plan or program subject to the rules under section 403(b) of the Internal Revenue Code of 1986 (26 U.S.C. s.403(b)), as amended, that is not part of the program during the period beginning on the date of termination and ending 12 months after the distribution of all assets from the Supplemental Annuity Collective Trust program, except as permitted by the applicable regulations of the United States Department of the Treasury.

C.52:14-17.29q Definitions.

76. a. As used in this section:

“emergency care” means immediate treatment provided in response to a sudden, acute and unanticipated medical crisis in order to avoid injury, impairment, or death.

“in-State health care provider” means an individual or entity, including, but not limited to, a physician or other health care professional licensed pursuant to Title 45 of the Revised Statutes, and a hospital or other health care facility licensed pursuant to Title 26 of the Revised Statutes that is not an out-of-State health care provider.

“out-of-State health care provider” means an individual or entity providing health care services at a location outside the geographic boundaries of this State.

“primary care” means the provision of preventive, diagnostic, treatment, management, and reassessment services to individuals in facilities providing family practice, general internal medicine, general pediatrics, and routine obstetrics/gynecology.

“reasonably proximate” means a geographic distance from the covered person's place of residence that does not exceed 25 miles.

“tertiary care” means specialized care performed by specialists working in an inpatient or outpatient facility for special investigation and treatment of complex diseases or conditions.

b. Notwithstanding the provisions of any other law to the contrary, a carrier which offers health benefits coverage under the State Health Benefits Program, School Employees’ Health Benefits Program, or any self-insured plan or plan offered to public employees or retirees outside the State Health Benefits Program or the School Employees’ Health Benefits Program, to an employee or retiree and any dependent eligible for such health care benefits coverage, shall only provide coverage for medically necessary health care services provided by an out-of-State health care provider as specified in subsection c. of this subsection, except for coverage authorized pursuant to subsection f. or g. of this section.

c. Medically necessary tertiary health care services may be performed by an out-of-State specialty or subspecialty health care provider when there is no in-State health care provider reasonably available to treat the particular condition based on an expedited determination by the carrier and the State Health Benefits Commission, the School Employees’ Health Benefits Commission or the plan administrator, as the case may be, in consultation with the Department of Health and Senior Services, that such service is not otherwise available

through an in-State health care provider or where there is no in-network provider who is reasonably proximate to the covered person's place of residence.

d. (1) The out-of-State health care provider shall receive reimbursement for out-of-network charges at the lesser of the contractual rate or a rate equal to 150% of the Medicare fee schedule for those same services.

(2) The employee or retiree shall be responsible for the entire balance of the out-of-State health provider's charges that exceed the applicable out-of-network reimbursement.

e. The carrier shall establish preauthorization or review requirements of the health benefits plan regarding the determination of medical necessity for the employee, retiree, or covered dependent to access out-of-State benefits, as set forth in writing pursuant to section 5 of P.L.1997, c.192 (C.26:2S-5), with which the covered person shall comply as a condition of receiving benefits pursuant to this section.

f. This section shall not apply to: (1) emergency care; (2) primary care; (3) an employee, retiree, or covered dependent who has his or her principal residence outside of this State or is enrolled as a full-time student at a school located outside this State and resides outside this State while attending that school, or (4) such other unusual and compelling circumstance determined by the State Health Benefits Commission, School Employees' Health Benefits Commission or the plan administrator, as the case may be, in consultation with the Department of Health and Senior Services, that warrants an individualized exception from the requirements of this section. For the purposes of this subsection, a person will be deemed to have his principal residence outside this State if all of the following conditions are met: the person spends the majority of his or her nonworking time outside the State, and resides at a location outside the State which is clearly the center of his or her domestic life, and has designated the out-of-State residence as his or her legal address and legal residence for voting.

g. This section shall not apply to cases when it is medically necessary for the employee, retiree, or covered dependent to continue current treatment with the out-of-State health care provider or under the following circumstances: (1) in cases of the pregnancy through the postpartum evaluation, up to six weeks after delivery; (2) in the case of post-operative care, up to six months following the surgical procedure; (3) in the case of oncological treatment, up to one year following the first date of treatment; and (4) in the case of psychiatric treatment, up to one year following the first date of treatment.

h. Notwithstanding the provisions of another law to the contrary, the State Health Benefits Plan Design Committee, the School Employees' Health Benefits Plan Design Committee, and any public employer shall provide to employees the option to select a single plan that shall not limit coverage for medically necessary health care services provided by an out-of-State health care provider pursuant to this section. Each employee or retiree who selects coverage under the plan shall pay the additional portion of the premium or periodic charge associated with selecting a plan that does not limit coverage for medically necessary health care services provided by an out-of-State health care provider for health care benefits provided to the employee, retiree, and dependents covered under the plan.

i. This section shall be operative January 1, 2012.

C.52:14-17.28e Negotiations concerning contributions for health care benefits.

77. A public employer and employees who are in negotiations for the next collective negotiations agreement to be executed after the employees in that unit have reached full implementation of the premium share set forth in section 39 of P.L.2011, c.78 (C.52:14-17.28c) shall conduct negotiations concerning contributions for health care benefits as if the

full premium share was included in the prior contract. The public employers and public employees shall remain bound by the provisions of sections 39, 40, and 43 of P.L.2011, c.78 (C.52:14-17.28c, C.52:14-17.28d, and C.52:14-17.34a), notwithstanding the expiration of those sections, until the full amount of the contribution required by section 39 has been implemented in accordance with the schedule set forth in section 40.

Employees subject to any collective negotiations agreement in effect on the effective date of P.L.2011, c.78, that has an expiration date on or after the expiration of sections 39 through 44, inclusive, of P.L.2011, c.78 (C.52:14-17.28c et al.), shall be subject, upon expiration of that collective negotiations agreement, to sections 39, 40, and 43 until the health care contribution schedule set forth in section 40 is fully implemented.

After full implementation, those contribution levels shall become part of the parties' collective negotiations and shall then be subject to collective negotiations in a manner similar to other negotiable items between the parties.

A public employee whose amount of contribution in retirement was determined in accordance with section 40 or 43 shall be required to contribute in retirement the amount so determined pursuant to section 40 or 43 notwithstanding that section 40 or 43 has expired, with the retirement allowance, and any future cost of living adjustment thereto, used to identify the percentage of the cost of coverage.

C.18A:16-17.2 Negotiations for benefits as if full premium share included in prior contract.

78. A public employer and employees who are in negotiations for the next collective negotiations agreement to be executed after the employees in that unit have reached full implementation of the premium share set forth in section 39 of P.L.2011, c.78 (C.52:14-17.28c) shall conduct negotiations concerning contributions for health care benefits as if the full premium share was included in the prior contract. The public employers and public employees shall remain bound by the provisions of sections 39 and 41 of P.L.2011, c.78 (C.52:14-17.28c and C.18A:16-17.1), notwithstanding the expiration of those sections, until the full amount of the contribution required by section 39 has been implemented in accordance with the schedule set forth in section 41.

Employees subject to any collective negotiations agreement in effect on the effective date of P.L.2011, c.78, that has an expiration date on or after the expiration of sections 39 through 44, inclusive, of P.L.2011, c.78 (C.52:14-17.28c et al.), shall be subject, upon expiration of that collective negotiations agreement, to sections 39 and 41 until the health care contribution schedule set forth in section 41 is fully implemented.

After full implementation, those contribution levels shall become part of the parties' collective negotiations and shall then be subject to collective negotiations in a manner similar to other negotiable items between the parties.

C.40A:10-21.2 Negotiations for next collective agreement.

79. A public employer and employees who are in negotiations for the next collective negotiation agreement to be executed after the employees in that unit have reached full implementation of the premium share set forth in section 39 of P.L.2011, c.78 (C.52:14-17.28c) shall conduct negotiations concerning contributions for health care benefits as if the full premium share was included in the prior contract. The public employers and public employees shall remain bound by the provisions of sections 39, 42, and 44 of P.L.2011, c.78 (C.52:14-17.28c, C.40A:10-21.1, and C.40A:5A-11.1), notwithstanding the expiration of those sections, until the full amount of the contribution required by section 39 has been implemented in accordance with the schedule set forth in section 42.

Employees subject to any collective negotiations agreement in effect on the effective date of P.L.2011, c.78, that has an expiration date on or after the expiration of sections 39 through 44, inclusive, of P.L.2011, c.78, shall be subject, upon expiration of that collective negotiations agreement, to sections 39, 42, and 44 until the health care contribution schedule set forth in section 42 is fully implemented.

After full implementation, those contribution levels shall become part of the parties' collective negotiations and shall then be subject to collective negotiations in a manner similar to other negotiable items between the parties.

A public employee whose amount of contribution in retirement was determined in accordance with section 42 or 44 shall be required to contribute in retirement the amount so determined pursuant to section 42 or 44 notwithstanding that section 42 or 44 has expired, with the retirement allowance, and any future cost of living adjustment thereto, used to identify the percentage of the cost of coverage.

80. Notwithstanding any other provision of this amendatory and supplementary act, P.L.2011, c.78 to the contrary, the increases in the employee contributions under the amendatory sections 8 through 16, inclusive, and the contributions required under sections 39 through 44, inclusive, shall begin upon the implementation of necessary administrative actions for collection and shall not be applied retroactively to this act's effective date. Nothing contained in this section shall affect the implementation of any other provision of this act.

81. If any provision of P.L.2011, c.78 or its application to any particular person or circumstance is held invalid, that provision or its application shall be severable and shall not affect the validity of other provisions or applications of this act.

Repealer.

82. The following are repealed:

Section 2 of P.L.1989, c.6 (C.52:14-17.28a);

Section 1 of P.L.1985, c.414 (C.43:15A-47.2); and

Section 1 of P.L.1999, c.96 (C.43:16A-5.1).

83. This act shall take effect immediately, and sections 39 through 44, inclusive, shall expire four years after the effective date.

Approved June 28, 2011.