

CHAPTER 98

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

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

C.5:9-22.5 Short title.

1. This act shall be known and may be cited as the "Lottery Enterprise Contribution Act."

C.5:9-22.6 Findings, declarations relative to State lottery contributions.

2. The Legislature finds and declares that:

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

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

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

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

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

f. The Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System 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, and exempt under section 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended, and such other provision of the federal Internal Revenue Code, as applicable, regulations of the United States Department of the Treasury, and other guidance of the federal Internal Revenue Service, and this act, P.L.2017, c.98 (C.5:9-22.5 et al.). The contribution of the Lottery Enterprise to these retirement systems is intended to comply with all requirements of the federal Internal Revenue Code governing the tax qualified status of the retirement systems, and this act shall at all times be applied and construed in a manner consistent with all such requirements.

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

h. Some of the members of the Public Employees' Retirement System are serving or have served as employees of State institutions defined in R.S.30:1-7, but excluding adult or

juvenile correctional facilities or institutions, or are serving or have served as employees of public institutions of higher education, and are eligible members of the retirement system, and contributing the Lottery Enterprise for their benefit pursuant to this act constitutes support for State institutions and State aid for education within the meaning of Article IV, Section VII, paragraph 2 of the State Constitution.

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

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

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

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

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

n. The allocable percentages established in section 5 of this act were determined based on: (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system.

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

C.5:9-22.7 Definitions relative to State lottery contributions.

3. As used in this act, P.L.2017, c.98 (C.5:9-22.5 et al.):

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

"Eligible members" means:

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

(2) individuals who are serving or who have served in positions eligible for participation in the Public Employees' Retirement System and who are serving or have served as employees of State institutions described or listed in R.S.30:1-7, State institutions no longer in operation as identified by the State Treasurer, or any facilities, institutions, or veterans homes established for any similar purpose, but excluding adult or juvenile correctional facilities or institutions, or who are serving or have served as employees of public institutions of higher education; and

(3) individuals who are serving or who have served in positions eligible for participation in the Police and Firemen's Retirement System and who are serving or have served as employees of State institutions described or listed in R.S.30:1-7, State institutions no longer in operation as identified by the State Treasurer, or any facilities, institutions, or veterans homes established for any similar purpose, but excluding adult or juvenile correctional facilities or institutions, or who are serving or have served as employees of public institutions of higher education.

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

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

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

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

- (1) the Teachers' Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq.;
- (2) the Public Employees' Retirement System, established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and
- (3) the Police and Firemen's Retirement System, established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

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

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

and psychiatric facilities of this State no longer in operation as identified by the State Treasurer.

C.5:9-22.8 Contributions to the lottery enterprise to benefit retirement systems; memorandum of Lottery Contribution.

4. a. The State Treasurer shall make a contribution of the Lottery Enterprise for a period of 30 years for the benefit of the retirement systems, which shall be deposited in Common Pension Fund L in accordance with this act, P.L.2017, c.98 (C.5:9-22.5 et al.), and the Memorandum of Lottery Contribution required under this section.

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

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

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

e. The Memorandum of Lottery Contribution shall contain:

- (1) the lottery contribution effective date;
- (2) a transition period of up to 180 days and transition procedures reasonably necessary to ensure that operations of the Lottery Enterprise are not materially disrupted as a result of the lottery contribution;
- (3) a detailed description or list of all of the assets and liabilities of the Lottery Enterprise;
- (4) a description of the retained assets and retained liabilities; and
- (5) such other provisions as the State Treasurer determines in the Treasurer's sole discretion are useful and necessary to make the lottery contribution in a manner consistent with this act.

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

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

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

licensed, acquired, or procured by the Division of the State Lottery on behalf of and for the benefit of Common Pension Fund L.

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

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

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

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

C.5:9-22.9 Value of Lottery Enterprise.

5. a. For the purposes of this act, P.L.2017, c.98 (C.5:9-22.5 et al.), the Lottery Enterprise shall be valued at \$13,535,000,000, as that value was determined by the independent valuation service provider engaged by the State.

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

C.5:9-22.10 Common Pension Fund established; subaccounts.

6. a. In order to receive the lottery contribution on behalf of the retirement systems, a Common Pension Fund L is hereby established within the Division of Investment in the Department of the Treasury. Common Pension Fund L shall constitute part of each retirement system and the participating trust through which each retirement system is funded.

Only the retirement systems and the trusts through which they are funded shall have an interest in Common Pension Fund L. Common Pension Fund L shall satisfy the requirements of section 401(a)(24) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-100, as amended by Revenue Ruling 2004-67 and Revenue Ruling 2011-1, and the requirements for exemption under section 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended. Consistent with section 401(a)(24) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended, regulations of the United States Department of the Treasury, and other guidance of the federal Internal Revenue Service, each retirement system shall participate in Common Pension Fund L.

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

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

- (1) invest and manage all assets in the investment account;
- (2) make distributions of proceeds and investment earnings thereon from the investment account into investment vehicles managed by the Division of Investment for the sole benefit of the retirement systems; and
- (3) make distributions of proceeds and investment earnings thereon from the investment account to the retirement systems from Common Pension Fund L to be used by each retirement system for any legitimate purpose of such retirement system, provided that any distribution under this part (3) shall be made on a simultaneous and pro rata basis to the retirement systems, which pro rata basis shall be based on each retirement system's relative equitable interest in the lottery contribution.

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

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

(2) Proceeds in amounts determined by the Division of the State Lottery shall be transferred from the operations account to the investment account on a periodic basis and such proceeds shall constitute the net proceeds of the Lottery Enterprise. Such proceeds transferred together with all investments thereof and investment earnings thereon shall be

available solely to and for the benefit of the retirement systems in the allocable percentages specified in section 5 of this act, P.L.2017, c.98 (C.5:9-22.9). The investment account shall be managed and invested by the Director of the Division of Investment pursuant to the authority, responsibilities, and duties set forth in P.L.1950, c.271 (C.52:18A-79 et seq.), subject to the oversight of the State Investment Council, pursuant to the authority of P.L.1950, c.270 (C.52:18A-79 et seq.). The Director of the Division of Investment shall have full discretion to distribute proceeds and all investments thereof and investment earnings thereon from the investment account into investment vehicles managed by the Division of Investment on behalf of the retirement systems. The investment account may be further subdivided into subaccounts in the discretion of the Director of the Division of Investment for purposes of investing in different types of investments.

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

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

C.5:9-22.11 Construction of act.

7. Nothing in this act, P.L.2017, c.98 (C.5:9-22.5 et al.), shall be construed as a waiver of the sovereign immunity of the State or a relinquishment of the sovereign powers of the State. The Superior Court of New Jersey shall have exclusive original jurisdiction and venue over all matters arising from this act.

C.5:9-22.12 Liberal construction; severability.

8. This act, P.L.2017, c.98 (C.5:9-22.5 et al.), shall be construed liberally. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications which can be given effect without the invalid provisions or applications, and to this end the provisions of this act are declared to be severable.

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

C.5:9-3 Definitions.

3. For the purposes of this act:

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

- b. "Division" shall mean the Division of the State Lottery created by this act.
- c. "Lottery" or "State lottery" shall mean the lottery established and operated pursuant to this act and includes all lottery games organized or conducted by the division prior to and after the effective date of P.L.2017, c.98 (C.5:9-22.5 et al.).
- d. "Director" shall mean the Director of the Division of the State Lottery.

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

C.5:9-5 State lottery commission; members.

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

During the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the commission shall consist of the State Treasurer, the Director of the Division of Investment, and five public members, all of whom shall be residents of this State, and all of whom shall be appointed by the Governor with the advice and consent of the Senate. No more than three of the five public members shall be members of the same political party. When the lottery contribution begins, the Governor shall select one public member, who is serving on the effective date of P.L.2017, c.98 (C.5:9-22.5 et al.), for termination of the member's service. Members of the commission serving on the date of enactment of the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.), not terminated by the Governor shall continue to serve for the remainder of their terms.

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

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

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

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

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

C.5:9-7 Commission; powers and duties.

7. The commission shall have the power, and it shall be its duty:

a. After full and thorough study of the report and recommendations of the State Lottery Planning Commission established pursuant to Joint Resolution Number 11, approved November 20, 1969, and such other pertinent information as may be available, to promulgate such rules and regulations governing the establishment and operation of a State lottery as it deems necessary and desirable in order that the mandate of the people expressed in their approval of the amendment to Article IV, Section VII, paragraph 2, of the Constitution in the general election of November, 1969, may be fully implemented, in order that such a lottery shall be initiated at the earliest feasible and practicable time, and in order that such lottery shall produce the maximum amount of net proceeds for State institutions and State aid for education consonant with the dignity of the State and the general welfare of the people. Such rules and regulations may include, but shall not be limited to, the following:

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

During the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the apportionment of the total proceeds accruing from the sale of lottery tickets or shares and from all other sources among (a) the payment of prizes to the holders of winning tickets or shares, (b) the payment of costs incurred in the operation and administration of the Lottery Enterprise, as defined in section 3 of P.L.2017, c.98 (C.5:9-22.7), including the expenses of the division and the costs resulting from any contract or contracts entered into for promotional, advertising, or operational services for the purchase or lease of lottery equipment and materials, and (c) for transfer to the investment account of Common Pension Fund L, for the benefit of retirement systems, as provided in the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.); provided, however, that no less than 30 percent of the proceeds accruing from the sale of lottery tickets or shares shall be dedicated to the investment account under (c) above.

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

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

b. To amend, repeal, or supplement any such rules and regulations from time to time as it deems necessary or desirable. Notwithstanding any provision of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the commission may adopt, immediately upon filing with the Office of Administrative Law, such regulations as are necessary to implement the provisions of the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.), which shall be effective for a period not to exceed 12 months following adoption, and may thereafter be amended, adopted, or readopted by the commission in accordance with the requirements of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

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

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

e. To report immediately to the Governor and the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during the lottery contribution, to the Director of the Division of Investment, any matters which shall require immediate changes in the laws of this State in order to prevent abuses and evasions of this act or rules and regulations promulgated thereunder or to rectify undesirable conditions in connection with the administration or operation of the lottery and the Lottery Enterprise.

f. To carry on a continuous study and investigation of the lottery and the Lottery Enterprise throughout the State, which may include requiring a financial or operational audit of the Lottery Enterprise, (1) for the purpose of ascertaining any defects in this act or in the rules and regulations issued thereunder by reason whereof any abuses in the administration and operation of the lottery and the Lottery Enterprise or any evasion of this act or the rules and regulations may arise or be practiced, (2) for the purpose of formulating recommendations for changes in this act and the rules and regulations promulgated thereunder to prevent such abuses and evasions, (3) to guard against the use of this act and the rules and regulations issued thereunder as a cloak for the carrying on of organized gambling and crime, and (4) to insure that said law and rules and regulations shall be in such form and be so administered as to serve the true purposes of this act and the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.).

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

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

C.5:9-8 Director; powers and duties.

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

a. Supervise and administer the operation of the lottery and the Lottery Enterprise in accordance with the provisions of this act and the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.), and with the rules and regulations of the commission.

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

c. Subject to the approval of the commission and Title 11A of the New Jersey Statutes, Civil Service, appoint such professional, technical and clerical assistants and employees as may be necessary to perform the duties imposed upon the division by this act and the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.).

d. Act as secretary and executive officer of the commission.

e. In accordance with the provisions of this act and the rules and regulations of the commission, to license as agents to sell lottery tickets such persons as in his opinion will best serve the public convenience and promote the sale of tickets or shares. The director may require a bond from every licensed agent, in such amount as provided in the rules and regulations of the commission. Every licensed agent shall prominently display his license, or a copy thereof, as provided in the rules and regulations of the commission.

f. Shall confer regularly as necessary or desirable and not less than once every month with the commission on the operation and administration of the lottery and the Lottery Enterprise; shall make available for inspection by the commission, upon request, all books, records, files, and other information and documents of the division; shall advise the commission and recommend such matters as he deems necessary and advisable to improve the operation and administration of the lottery and the Lottery Enterprise.

g. Suspend or revoke any license issued pursuant to this act or the rules and regulations promulgated thereunder.

h. Subject to the approval of the commission and the applicable laws relating to public contracts, to act on behalf of the commission as using agency with respect to purchases made by the Division of Purchase and Property of goods and services required in the operation of the lottery and the Lottery Enterprise.

i. To certify monthly to the State Treasurer, the commission, and during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the Director of the Division of Investment, a full and complete statement of lottery proceeds, prize disbursements and other expenses for the preceding month.

j. During the term of the lottery contribution, operate, manage, conduct, and control the retained assets and the retained liabilities, as each term is defined in the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.).

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

C.5:9-17 Unclaimed prize money.

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

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

C.5:9-18 Deposit of receipts; reports.

18. The director may, in his discretion, require any or all lottery sales agents to deposit to the credit of the operations account of Common Pension Fund L, as provided in the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.) during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), and otherwise deposit to the credit of the State Lottery Fund in banks, designated by the State Treasurer all moneys received by such agents from the sale of lottery tickets or shares, less the amount, if any, retained as compensation for the sale of the tickets or shares, and to file with the director or his designated agents reports of their receipts and transactions in the sale of lottery tickets in such form and containing such information as he may require. The director may make such arrangements for any person, including a bank, to perform such functions, activities or services in connection with the operation of the lottery as he may deem advisable pursuant to this act and the rules and regulations of the commission, and such functions, activities or services shall constitute lawful functions, activities and services of such person.

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

C.5:9-21 State lottery fund, certain proceeds diverted to Common Pension Fund L.

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

During the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), no proceeds received from the sale of lottery tickets or shares, and no other moneys credited or transferred to the Lottery Enterprise, as defined as section 3 of P.L.2017, c.98 (C.5:9-22.7), from any other fund or source, shall be deposited into the State Lottery Fund, and instead all such amounts shall be deposited into the operations account of Common Pension Fund L, established pursuant to the "Lottery Enterprise Contribution Act," P.L.2017, c.98 (C.5:9-22.5 et al.).

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

C.5:9-22 Appropriation of moneys; report; publication.

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

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

During the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the moneys in the operations account of Common Pension Fund L, established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10), shall be used only (a) for the payment of prizes to the holders of winning lottery tickets or shares, (b) for the expenses of the division in its operation of the lottery and the Lottery Enterprise, as defined in section 3 of

P.L.2017, c.98 (C.5:9-22.7), and (c) for transfer to the investment account of Common Pension Fund L for the benefit of the retirement systems.

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

C.43:3C-14 State contributions.

38. a. (1) Commencing July 1, 2011 and thereafter, the contribution required, by law, to be made by the State to 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.), shall be made in full each year to each system or fund in the manner and at the time provided by law. The contribution shall be computed by actuaries for each system or fund based on an annual valuation of the assets and liabilities of the system or fund pursuant to consistent and generally accepted actuarial standards and shall include the normal contribution and the unfunded accrued liability contribution. Notwithstanding the provisions of any law to the contrary, the assets to be included in the calculation described in this paragraph shall not include the special asset value.

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

(3) The sum of the accrued liability and the normal contribution, calculated by the actuaries with respect to the unfunded accrued liability and normal cost for each retirement system, as defined pursuant to section 3 of P.L.2017, c.98 (C.5:9-22.7), shall be reduced annually by the product of the allocable percentage for such retirement system, established in section 5 of P.L.2017, c.98 (C.5:9-22.9), the adjustment percentage for such retirement system, as set forth in subsection c. of this section, and the special asset adjustment as set forth in this paragraph.

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

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

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

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

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

After State fiscal year 2022, the special asset adjustment shall be determined based on an amortization of the special asset value over the remaining term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), at the regular interest rate applicable to the retirement systems; provided, however, in no event shall the annual special asset adjustment be more than the maximum special asset adjustment.

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

The special asset value shall initially be the value set forth in section 5 of P.L.2017, c.98 (C.5:9-22.9), and shall be revalued periodically as follows:

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

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

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

As used in this paragraph:

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

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

c. For State fiscal years 2018 through 2022, the adjustment percentage applicable to the Teachers' Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq., the Public Employees' Retirement System, established pursuant to P.L.1954, c.84 (C.43:15A-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.), shall be 100 percent. For State fiscal years beginning 2023 and thereafter, the adjustment percentage applicable to: (1) the Teachers' Pension and Annuity Fund shall be 88.27 percent; (2) the Public Employees' Retirement System shall be 57.29 percent; and (3) the Police and Firemen's Retirement System shall be 0.00 percent. In State fiscal years 2023 and thereafter, for each of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System, in their entirety, if the funded ratio falls below 50 percent for any State fiscal year, the adjustment percentage for such fiscal year shall be reduced by a number of percentage points equal to three times the difference between 50 percent and the funded ratio, rounded to the nearest percentage point. For the purposes of this subsection, the funded ratio shall include the special asset value.

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

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.

During the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), for the purpose of the retirement systems, as defined in section 3 of P.L.2017, c.98 (C.5:9-22.7), "target funded ratio" means a ratio of the actuarial value of assets plus the allocable special asset value, as determined in section 38 of P.L.2010, c.1 (C.43:3C-14), 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 State fiscal year thereafter by equal increments for seven years, until the ratio reaches 80 percent at which it shall remain for all subsequent State fiscal years.

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

Expenses paid by State, reimbursement.

18A:66-17. The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employing school district 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 employing school district bears to the total number of members in the system. The pro rata share of the cost of the administrative expense shall be included with the certification by the board of trustees to the Commissioner of Education, the State Treasurer and to each employing school district. The commissioner shall deduct the amount so certified from the certification, to the State Treasurer and the Director of the Division of Budget and Accounting, of State aid payable to such employing school district under the provisions of P.L.1954, c.85. Similar reimbursement shall be made to the State by institutions and districts to which P.L.1954, c.85 does not pertain.

For purposes of this section, during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8) the expenses of the Lottery Enterprise shall not be considered to be expenses of the retirement system but shall be paid in accordance with section 6 of P.L.2017, c.98 (C.5:9-22.10).

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, excluding the special asset value set forth in section 38 of P.L.2010, c.1 (C.43:3C-14), 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 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to read as follows:

C.18A:72A-51 "Higher Education Facilities Trust Fund."

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

a. moneys received from the issuance of bonds or notes pursuant to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an annual appropriation in an amount sufficient to pay the principal and interest on the bonds or notes;

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

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

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

C.18A:72A-74 "Higher Education Capital Improvement Fund."

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

a. moneys received from the issuance of bonds, notes or other obligations issued pursuant to section 7 of P.L.1999, c.217 (C.18A:72A-78) and an annual appropriation in an amount sufficient to pay the principal and interest on the bonds, notes or other obligations;

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

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

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

C.43:15A-23 Expense fund.

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

The administration fees hereafter paid by participating employers other than the State, shall be used to pay the expenses of administration of the retirement system on behalf of all members other than State employees.

For purposes of this section, during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the expenses of the Lottery Enterprise shall not be considered to be expenses of the retirement system.

24. 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, excluding the special asset value set forth in section 38 of P.L.2010, c.1 (C.43:3C-14), 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.

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

C.43:15A-37 Obligations of State; basis of State appropriation.

37. Regular interest charges payable, the creation and maintenance of reserves in the contingent reserve fund, the maintenance of retirement reserves as provided for in this act and the payment of all retirement allowances and other benefits granted by the board of trustees under the provisions of this act, except the amounts payable by other employers, are hereby made obligations of the State. All income, interest and dividends derived from deposits and investments authorized by this act shall be used for the payment of these obligations of the State and other employers, including, during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), all income, interest, and dividends derived from deposits and investments in the investment account of Common Pension Fund L, established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10).

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

26. 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.

(5) For purposes of this section, during the term of the lottery contribution made pursuant to section 4 of P.L.2017, c.98 (C.5:9-22.8), the expenses of the Lottery Enterprise shall not be considered to be expenses of the retirement system.

27. Section 15 of P.L.1944, c.225 (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, excluding the special asset value set forth in section 38 of P.L.2010, c.1 (C.43:3C-14), 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.

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

C.52:18A-91 Powers and duties of State Investment Council.

13. a. The State Investment Council shall consult with the Director of the Division of Investment from time to time with respect to the work of the division. It shall have access to all files and records of the division and may require any officer or employee therein to provide such information as it may deem necessary in the performance of its functions. The council shall have authority to inspect and audit the respective accounts and funds administered through the Division of Investment. It shall formulate and establish, and may from time to time amend, modify or repeal, such policies as it may deem necessary or proper, which shall govern the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions to be followed by the Director of the Division of Investment established hereunder, except that the provisions of this subsection shall not apply to the operations account of Common Pension Fund L established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10). Notwithstanding any provision of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the council may adopt, immediately upon filing with the Office of Administrative Law such policies and regulations relating to the investment account, established pursuant to section 6 of P.L.2017, c.98 (C.5:9-22.10), as are necessary to implement that section, which regulations shall be effective for a period not to exceed 12 months following adoption, and may thereafter be amended, adopted, or readopted by the council in accordance with the requirements of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

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

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

d. An external manager shall be required to file a certification before being retained, and annually thereafter, that discloses the political contributions made, during the 12 months preceding the certification, by the manager or the manager's firm, or a political committee in which the manager or firm was active. The certification shall specify the political contributions made to candidates for elective public office in this State and any political

committee established for the support of such candidates, and contributions made for the transition and inaugural expenses of any candidate who is elected to public office. As used in this subsection, "contribution" and "political committee" shall have the meaning set forth in "The New Jersey Campaign Contributions and Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.). This certification shall be in addition to any other such disclosure required by law or executive order of the Governor.

29. This act shall take effect immediately.

Approved July 4, 2017.