

# The State Police Retirement System of New Jersey

Information Required Under  
Governmental Accounting  
Standards Board Statement No.  
68 as of June 30, 2016



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July 31, 2017

Director of the Division of Pension and Benefits  
Division of Pension and Benefits  
50 West State Street  
One State Street Square  
CN 295  
Trenton, New Jersey 08625-0295

Director:

This valuation provides information for the State Police Retirement System of New Jersey (SPRS) in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 68. This Statement is an amendment of Statements No. 27, Accounting for Pensions by State and Local Government Employers effective for the fiscal year ending June 30, 2015, and thereafter.

This valuation reports the results required under Governmental Accounting Standards Board No. 68 as of June 30, 2016 and reflects the effect of the demographic assumptions recommended on the basis of the July 1, 2011 – June 30, 2014 Experience Study and approved by the Board of Trustees on January 26, 2016. The Treasurer has recommended a change in the economic assumptions to be used effective with the July 1, 2016 valuation. The rate of investment return has been revised from 7.90% per annum to 7.65% per annum. The assumed future salary increases have been revised from 3.45% per annum through fiscal year ending 2021 and 4.45% per annum for fiscal years ending 2022 and thereafter to 2.95% per year through fiscal year 2025 and 3.95% per year for fiscal years 2026 and thereafter. These assumptions will remain in effect for valuation purposes until such time the Board or Treasurer recommends revised assumptions.

I certify that the information contained in this Actuarial Report has been prepared in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information fairly presents the actuarial position of the SPRS in accordance with the requirements of GASB Statement No. 68 as of June 30, 2016. Information necessary to comply with the reporting requirements of GASB Statement No. 67 was provided in a separate Actuarial Report, which is available on the Division of Pensions and Benefits web site. Please refer to that separate Actuarial Report for supplementary information documentation and support for the actuarial analysis and information presented herein.

The Board of Trustees, staff of the Division of Pensions and Benefits and its auditors may use this report for the review of the operation of the Plan. The report may also be used in the preparation of the audited financial statements of the State of New Jersey. Use of this report for any other purpose or by anyone other than the Board of Trustees, staff of the Division of Pensions and Benefits or its auditors may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Conduent should be asked to review any statement to be made on the basis of the results contained in this report. Conduent will accept no liability for any such statement made without prior review by Conduent.

Future actuarial measurements may differ significantly from current measurements due to Plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in Plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this valuation.



In preparing the actuarial results, we have relied upon information provided by the Division of Pensions and Benefits regarding Plan provisions, Plan participants, Plan assets and other matters used in the actuarial valuation. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results presented herein is dependent on the accuracy of the data.

In my opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Plan and to reasonable long-term expectations.

This report was prepared under my supervision. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Academy's qualification Standards to issue this Statement of Actuarial Opinion. This report has been prepared in accordance with all applicable Actuarial Standards of Practice. I am available to answer questions and supply any additional information.

Respectfully submitted,

A handwritten signature in black ink that reads "Aaron Shapiro". The signature is written in a cursive, flowing style.

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Aaron Shapiro, FSA, EA, MAAA  
Principal, Consulting Actuary  
Conduent

# Table of Contents

**Section I**

GASB 68 Information ..... 1

**Section II**

Actuarial Assumptions and Methods..... 8

**Section III**

Summary of Plan Provisions ..... 10

## Section I – GASB 68 Information

### Plan Description

#### Plan Administration

The State of New Jersey Division of Pensions and Benefits administers the State Police Retirement System of New Jersey (Plan), a single-employer defined benefit pension plan that provides pensions for all individuals who become full-time troopers or commissioned or noncommissioned officers of the Division of State Police enrolled in the Plan.

The general responsibility for the proper operation of the Plan is vested in the Board of Trustees (Board), and the pension committee established pursuant to Chapter 78 P.L. 2011.

The Board of Trustees consists of two active or retired members of the system appointed by the Superintendent of State Police, two members appointed by the Governor, the State Treasurer, who serves as an ex-officio member, and a member appointed by the Director of the Division of Pensions and Benefits of the State Department of the Treasury who shall be the secretary of the Board.

In accordance with Chapter 78, P.L. 2011, a pension committee is to be established when the Plan's "target funded ratio" is achieved. The "target funded ratio" is defined as the ratio of the actuarial value of assets over the actuarially determined accrued liabilities expressed as a percentage that will be 75% in State fiscal year 2012, and increased annually by equal increments in each of the subsequent seven fiscal years, until the ratio reaches 80% at which it is to remain for all subsequent fiscal years. The Plan attained the required 75% "target funded ratio" in Fiscal Year 2012, establishing the pension committee for the Plan.

The pension committee consists of four members appointed by the Governor as representatives of the public employer whose employees are enrolled in the Plan, three members appointed by the head of the State Troopers Fraternal Association, and one who is appointed by the head of the union representing the greatest number of members of the Plan who are supervisory officers having union membership.

Chapter 78, P.L. 2011 grants the authority to amend the benefit terms of the Plan to the pension committee. The pension committee will have the discretionary authority to modify the member contribution rate, formula for calculation of final compensation, fraction used to calculate the retirement allowance, age at which a member may be eligible and the benefits for service or early retirement and benefits provided for disability benefit. The pension committee will not have the authority to change the number of years required for vesting. The pension committee will have the authority to reactivate the cost of living adjustment and set the duration and extent of the activation. The pension committee must give priority consideration to the reactivation of the cost of living adjustment. No decision of the pension committee shall be implemented if the direct or indirect result of the decision will be that the Plan's funded ratio falls below the target funded ratio in any valuation period during the 30 years following the implementation of the decision.

As required under Section 32 of Chapter 89, P.L. 1965, experience studies are performed once in every three year period. The valuation was prepared using demographic assumptions recommended on the basis of the July 1, 2011 – June 30, 2014 Experience Study and approved by the Board of Trustees at the January 26, 2016 Board meeting. The Treasurer has recommended a change in the economic assumptions to be used effective with the July 1, 2016 valuation. The rate of investment return has been revised from 7.90% per annum to 7.65% per annum. The assumed future salary increases have been reduced by 0.5% at all ages for both the select and ultimate periods. In addition, the select period was extended from the fiscal year 2021 to the fiscal year 2026. These assumptions will remain in effect for valuation purposes until such time the Board or Treasurer recommends revised

assumptions. Detailed information with regard to the change in the salary increase assumption is outlined in Section II.

#### Measurement Date

The net pension liability for fiscal year ending June 30, 2017 is determined at a measurement date of June 30, 2016. The total pension liability as of June 30, 2016 was determined by rolling forward the Plan's total pension liability as of July 1, 2015 to June 30, 2016. The plan fiduciary net position is the market value of plan assets as of June 30, 2016.

#### Data for Valuation

In preparing the actuarial valuation as of June 30, 2015, the actuary has relied on data and assets provided by the Division of Pensions and Benefits. While not verifying the data at their source, the actuary has performed tests for consistency and reasonableness.

The following is a summary of Plan participants and the development of the average expected remaining service lives of active and inactive members as of June 30, 2015:

	<u>Number</u>	<u>Expected Remaining Years of Service</u>
Inactive Plan members or beneficiaries currently receiving	3,511	0.00
Inactive Plan members entitled to but not yet receiving	0	0.00
Active Plan members	<u>2,676</u>	<u>35,260.27</u>
Total	<u>6,187</u>	<u>35,260.27</u>

Average expected remaining service lives of active and inactive members as of June 30, 2015: 5.70 years

#### Benefits Provided

Please see Section III of the report for a summary of Plan provisions.

#### Contributions

The Board establishes contributions based on an actuarially determined contribution recommended by an independent actuary and a contribution for the Non-Contributory Group Insurance Premium Fund (NCGIPF). The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance a portion of any unfunded accrued liability. For the year ended June 30, 2016, the State contributed \$37,435,541 to the plan.

## Net Pension Liability

a. The components of the net pension liability at June 30, 2015, were as follows:

	<u>NCGIPF</u>	<u>Pension</u>	<u>Total</u>
Total pension liability	\$ 66,602,652	\$ 4,754,903,124	\$ 4,821,505,776
Plan fiduciary net position	<u>0</u>	<u>1,867,709,110</u>	<u>1,867,709,110</u>
Plan net pension liability	\$ 66,602,652	\$ 2,887,194,014	\$ 2,953,796,666

b. The components of the net pension liability at June 30, 2016, were as follows:

	<u>NCGIPF</u>	<u>Pension</u>	<u>Total</u>
Total pension liability	\$ 97,655,457	\$ 5,576,050,864	\$ 5,673,706,321
Plan fiduciary net position	<u>0</u>	<u>1,694,962,112</u>	<u>1,694,962,112</u>
Plan net pension liability	\$ 97,655,457	\$ 3,881,088,752	\$ 3,978,744,209

c. Sensitivity to Discount Rate: The following presents the net pension liability calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<u>June 30, 2015</u>		
<u>1% Decrease (3.59%)</u>	<u>Current (4.59%)</u>	<u>1% Increase (5.59%)</u>
\$ 3,714,159,123	\$ 2,953,796,666	\$ 2,347,389,106
<u>June 30, 2016</u>		
<u>1% Decrease (2.55%)</u>	<u>Current (3.55%)</u>	<u>1% Increase (4.55%)</u>
\$ 4,948,165,769	\$ 3,978,744,209	\$ 3,213,322,784

## Pension Expense as of June 30, 2016

Service cost	\$ 113,546,510
Interest cost	221,675,495
Expected return on assets	(140,151,847)
Current period effect of benefit changes	0
Current period difference between expected and actual experience	(3,084,278)
Current period effect of changes in assumptions	131,217,732
Current period difference between projected and actual investment earnings	31,887,180
Member contributions	(22,818,295)
Administrative expenses	334,630
Current period recognition of prior years' deferred outflows of resources	120,307,654
Current period recognition of prior years' deferred inflows of resources	<u>(30,509,415)</u>
Total	\$ 422,405,366

The pension expense for the fiscal year ending June 30, 2016 is based on the June 30, 2015 valuation.

The effect of the change in assumptions, experience different than expected and changes in employers' proportion are recognized over the average expected remaining service lives of active and inactive members as of June 30, 2015 (5.70 years).

The difference between projected and actual investment earnings is recognized over 5 years.

## Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the State has a pension expense of \$422,405,366. At June 30, 2016, the State has deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in assumptions	\$ 927,823,738	\$ 0
Difference between expected and actual experience	22,044,965	14,496,107
Difference between projected and actual investment earnings	<u>108,784,291</u>	<u>0</u>
Total	<u>\$ 1,058,652,994</u>	<u>\$ 14,496,107</u>

Annual changes to the net pension liability (asset) resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed 5-year period. The following presents a summary of changes in the collective outflows of resources and deferred inflows of resources for the year ended June 30, 2016:

Deferred (Inflows)/Outflows of Resources	Measurement Period July 1- June 30	Amortization Period	Original balance	Accumulated amortization	Beginning balance on prior measurement period deferrals	Current measurement period additions	Amounts recognized in current year expense	End of year balance
<b>Differences between expected and actual experience</b>								
	2015	5.34	\$ 35,245,543	\$ 6,600,289	\$ 28,645,254	\$ 0	\$ 6,600,289	\$ 22,044,965
	2016	5.70	\$ (17,580,385)	\$ 0	\$ 0	\$ (17,580,385)	\$ (3,084,278)	\$ (14,496,107)
	Total		\$ 17,665,158	\$ 6,600,289	\$ 28,645,254	\$ (17,580,385)	\$ 3,513,011	\$ 7,548,858
<b>Difference due to changes in assumptions</b>								
	2014	5.14	\$ 92,686,900	\$ 36,064,942	\$ 56,621,958	\$ 0	\$ 18,032,471	\$ 38,589,487
	2015	5.34	\$ 435,691,094	\$ 81,590,093	\$ 354,101,001	\$ 0	\$ 81,590,093	\$ 272,510,908
	2016	5.70	\$ 747,941,075	\$ 0	\$ 0	\$ 747,941,075	\$ 131,217,732	\$ 616,723,343
	Total		\$ 1,276,319,069	\$ 117,655,035	\$ 410,722,959	\$ 747,941,075	\$ 230,840,296	\$ 927,823,738
<b>Net difference between projected and actual earnings on investments</b>								
	2014	5.00	\$ (152,547,077)	\$ (61,018,830)	\$ (91,528,247)	\$ 0	\$ (30,509,415)	\$ (61,018,832)
	2015	5.00	\$ 70,424,004	\$ 14,084,801	\$ 56,339,203	\$ 0	\$ 14,084,801	\$ 42,254,402
	2016	5.00	\$ 159,435,901	\$ 0	\$ 0	\$ 159,435,901	\$ 31,887,180	\$ 127,548,721
	Total		\$ 77,312,828	\$ (46,934,029)	\$ (35,189,044)	\$ 159,435,901	\$ 15,462,566	\$ 108,784,291

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's pension expense as follows:

<b>Fiscal Year ending</b>	
<b>June 30</b>	
2017	\$ 249,818,873
2018	249,818,871
2019	264,820,361
2020	190,005,362
2021	89,693,420
Thereafter	0

### Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the plan's total pension liability as of July 1, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement. In addition, an amount of \$54,000 has been added to the liability as of June 30, 2016 equal to the amount in the June 30, 2016 Plan Fiduciary Net Position for transfers from other Systems. All other methods and assumptions used to determine the total pension liability are set forth in Section II and are consistent with the assumptions used for the July 1, 2015 actuarial valuation.

The actuarial cost method used to develop the total pension liability is the Entry Age Normal Cost-Level Percent of Pay method, as required by GASB Statements No. 67.

The Treasurer has recommended a change in the economic assumptions to be used effective with the July 1, 2016 valuation. The rate of investment return has been revised from 7.90% per annum to 7.65% per annum. The assumed future salary increases have been reduced by 0.5% at all ages for both the select and ultimate periods. In addition, the select period was extended from the fiscal year 2021 to the fiscal year 2026.

#### a. Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table. The capital market assumptions are per Conduent's investment consulting practice for 2016.

Asset Class	Index	Target Allocation*	Long-Term Expected Real Rate of Return
Cash	Citigroup 90-Day T-Bills	5.00%	0.87%
U.S. Treasuries	Barclays Long U.S. Treasury	1.50%	1.74%
Investment Grade Credit	Aggregate Bonds	8.00%	1.79%
Mortgages	Barclays Mortgage	2.00%	1.67%
High Yield Bonds	Barclays High Yield	2.00%	4.65%
Inflation-Indexed Bonds	Barclays U.S. TIPS	1.50%	3.44%
Broad US Equities	Wilshire 5000/Russell 3000	26.00%	8.53%
Developed Foreign Equities	MSCI EAFE	13.25%	6.83%
Emerging Market Equities	MSCI Emerging Markets	6.50%	9.95%
Private Equity	Cambridge Associates	9.00%	12.40%
Hedge Funds/Absolute Return	HFRI Fund of Funds	12.50%	4.68%
Real Estate (Property)	NCREIF Property Index	2.00%	6.91%
Commodities	S&P GSCI	0.50%	5.45%
Global Debt ex US	Barclays Global Aggregate ex US	5.00%	-0.25%
REIT	FTSE NAREIT	5.25%	5.63%
Assumed Inflation – Mean			3.08%
Assumed Inflation – Standard Deviation			2.59%
Portfolio Arithmetic Mean Return**			9.39%
Portfolio Standard Deviation			12.13%
<b>Long-Term Expected Rate of Return selected by State Treasurer</b>			<b>7.65%</b>

\*Based on target asset allocation for 2016.

\*\*Includes assumed inflation.

## b. Discount rate

The discount rate is the single rate that reflects (1) the long-term expected rate of return on Plan investments that are expected to be used to finance the payment of benefits, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and Plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

The discount rates used to measure the total pension liability were 4.59% as of June 30, 2015 and 3.55% as of June 30, 2016. As discussed with the Division of Pensions and Benefits, the projection of cash flows used to determine the discount rate as of June 30, 2016 assumed:

- In accordance with Paragraph 37 of GASB Statement No. 67, the projection of the Plan's fiduciary net position and projected benefit payments were based on the recommended demographic assumptions of the July 1, 2011 – June 30, 2014 Experience Study, which was approved by the Board of Trustees on January 26, 2016. Please see Section II of the report for a summary of the revised demographic assumptions.

- The Treasurer has recommended a change in the economic assumptions to be used effective with the July 1, 2016 valuation. The rate of investment return has been revised from 7.90% per annum to 7.65% per annum. The assumed future salary increases have been reduced by 0.5% at all ages for both the select and ultimate periods. In addition, the select period was extended from the fiscal year 2021 to the fiscal year 2026. Detailed information with regard to the change in the salary increase assumption is outlined in Section II.
- It is assumed that the State will contribute 30.00% of the actuarially determined contribution and 100% of its NCGIPF contribution. The 30.00% contribution rate is the actual State contribution rate paid in fiscal year ending June 30, 2016 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2016.

Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members until fiscal year 2033. Municipal bond rates of 3.80% as of June 30, 2015 and 2.85% as of June 30, 2016 were used in the development of the blended GASB discount rate after that point. As selected by the State Treasurer, the rates are based on the Bond Buyer Go 20-Bond Municipal Bond Index. Based on the long-term rate of return of 7.90% and the municipal bond rate of 3.80% as of June 30, 2015 and the long-term rate of return of 7.65% and the municipal bond rate 2.85% as of June 30, 2016, the blended GASB discount rates are 4.59% as of June 30, 2015 and 3.55% as of June 30, 2016. The assumed discount rates have been determined in accordance with the method prescribed by GASB Statement No. 67. We believe this assumption is reasonable for the purposes of the measurements required by the Statement.

The projections of the Fiduciary Net Plan Position are based on contributions to the plan in accordance with the State's current funding policy. Should contributions to the Plan be different from those outlined above, the results would reflect the new contribution policy and may result in the Fiduciary Net Plan Position not being sufficient to cover the Plan's benefit payments at some future date and thus changing the discount rate used to determine the Plan's Total Pension Liability.

#### **c. Actuarial Cost Method**

Entry Age Normal – Level Percentage of Pay

#### **d. Asset Valuation Method**

Invested assets are reported at fair value.

## Section II – Actuarial Assumptions and Methods

### Investment Rate of Return:

July 1, 2015 valuation: 7.90% per annum, compounded annually.  
 July 1, 2016 valuation: 7.65% per annum, compounded annually.

### GASB Discount Rate:

4.59% per annum for fiscal year ending June 30, 2015  
 3.55% per annum for fiscal year ending June 30, 2016

COLA: No future COLA is assumed.

### Salary Increases:

- July 1, 2015 valuation: Salaries are assumed to increase by 3.45% per year through fiscal year ending 2021 and 4.45% per year for fiscal years ending 2022 and thereafter.
- July 1, 2016 valuation: Salaries are assumed to increase by 2.95% per year through fiscal year 2025 and 3.95% per year for fiscal years 2026 and thereafter.

401(a)(17) Pay Limit: \$265,000 for 2015 increasing 3.00% per annum, compounded annually.

Social Security Wage Base: \$118,500 for 2015 increasing 4.00% per annum, compounded annually.

Termination: Withdrawal rates vary by length of service. Illustrative rates are shown below:

Age	Lives per Thousand	
	<u>Less Than 5 Years of Service</u>	<u>Five to Nineteen Years of Service</u>
25	3.8	0.0
30	3.8	2.0
35	8.3	1.4
40	0.0	0.8
45	0.0	1.0
50	0.0	0.0

Separations From Service: Representative mortality, disability and retirement rates are as follows:

Age	<u>Annual Rates of*</u>				
	<u>Male</u>	<u>Female</u>	<u>Accidental Death</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>
25	0.4	0.2	0.3	0.4	0.2
30	0.4	0.3	0.5	0.6	0.5
35	0.5	0.5	0.5	1.5	1.9
40	0.9	0.7	0.5	1.7	2.1
45	1.2	1.1	0.7	2.2	2.1
50	1.7	1.6	0.9	3.8	2.3

\* Per one thousand lives.

\*\* RP-2000 Combined Healthy Male (set back 3 years) and RP-2000 Combined Healthy Female Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB as the base table. The base tables will be further projected using the Conduent Modified 2014 Projection Scale. Rates shown above are unadjusted for the Conduent Modified 2014 Projection Scale.

Deaths After Retirement: For healthy inactive members and beneficiaries of deceased members the RP-2000 Combined Healthy Male (set back 3 years) and RP-2000 Combined Healthy Female Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB. These base tables will be further projected beyond the valuation date using the Conduent Modified 2014 mortality improvement scale. For disabled members the RP-2000 Combined Healthy Male (set forward 5 years) and RP-2000 Combined Healthy Female Mortality (set forward 5 years) tables are used. Illustrative rates of mortality unadjusted for the Conduent Modified 2014 Projection Scale are shown below:

<u>Age</u>	<u>Lives per Thousand</u>			
	<u>Retired Members and</u>		<u>Disabled Members</u>	
	<u>Beneficiaries of Deceased</u>			
	<u>Members</u>			
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
55	2.6	2.5	6.7	5.1
60	4.3	4.4	12.7	9.7
65	7.5	8.3	22.2	16.7
70	13.2	14.3	37.8	28.1
75	22.4	24.0	64.4	45.9
80	38.5	39.2	110.8	77.4
85	66.1	66.2	183.4	131.7
90	117.8	114.0	267.5	194.5

Rates of Retirement: Rates of retirement vary by length of service and age (if more than 24 years of service) with 100% of those remaining at age 55 retiring at age 55. The rates are shown below:

<u>Service</u>	<u>Lives Per 100</u>
20	2.0
21	0.5
22	0.0
23	0.0
24	0.0
25	50.0
Greater than 25 :	
(a) through age 42	5.0
(b) ages 43-47	28.0
(c) ages 48-53	33.0
(d) age 54	61.0

## Section III – Summary of Plan Provisions

New Jersey Statutes, Title 53, Chapter 5A.

### Eligibility for Membership

All members of the former State Police and Benevolent Fund: full-time commissioned officers, non-commissioned officers or troopers of the Division of State Police. Membership is a condition of employment.

#### 1. Definitions

Plan Year	The 12-month period beginning on July 1 and ending on June 30.
Service	Service rendered while a member as described above.
Credited Service	A year is credited for each year of service as an officer or trooper in the State Police. Service with other State Retirement Systems is included in the calculation of the retirement benefit at the rate of 1% of final compensation for each year of service credit.
Compensation	Based on contractual salary, including maintenance allowance, received by the member in the last 12 months of credited service preceding retirement, termination or death. Compensation does not include individual salary adjustments granted primarily in anticipation of the retirement or for temporary or extracurricular duties beyond the ordinary work day. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code; Chapter 1, P.L. 2010 provides that for members hired on or after May 22, 2010, the amount of compensation used for employer and member contributions and benefits under the System cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.)
Final Compensation	Average compensation received by member in last 12 months of credited service preceding retirement or death. Such term includes the value of the member's maintenance allowance for the same period. (Chapter 1, P.L. 2010 provides that for members hired on or after May 22, 2010, Final Compensation means the average annual salary for service for which contributions are made during any three fiscal years of membership providing the largest possible benefit to the member or the member's beneficiary. Such term shall include the value of the member's maintenance allowance.)
Aggregate Contributions	The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf. For contribution purposes, compensation does not include overtime, bonuses, maintenance or any adjustments before retirement.
Adjusted Final Compensation	The amount of compensation or compensation as adjusted, as the case may be, increased by the same percentage increase which is applied in any adjustments of the compensation schedule of active members after the member's death and before the date on which the deceased

member of the retirement system would have accrued 25 years of service under an assumption of continuous service, at which time that amount will become fixed. Adjustments to compensation or adjusted compensation shall take effect at the same time as any adjustments in the compensation schedule of active members.

## 2. Benefits

### Service Retirement

Mandatory retirement at age 55. Voluntary retirement prior to age 55 with 20 years of credited service. Benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows:

- (a) 50% of final compensation;
- (b) For members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation.
- (c) For members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of August 29, 1985 who would have 20 years of service but would not have 25 years of service at age 55, benefit as defined in (a) above plus 3% for each year of service in excess of 20 years.

### Vested Termination

Termination of service prior to age 55. Benefit for 10 to 20 years of service - Refund of aggregate contributions, or a deferred life annuity beginning at age 55 equal to 2% of final compensation for each year of service up to 20 years.

### Non-Vested Termination

Termination of service prior to age 55 and less than 10 years of service – Return of aggregate contributions.

### Ordinary Death

### Before Retirement

Death of an active member of the plan. Benefit is equal to:

- (a) Lump sum payment equal to 3-1/2 times compensation, plus
- (b) Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children. If there is no surviving spouse (or dependent children), 25% or 40% of final compensation to one or two dependent parents.

Minimum benefit: Aggregate contributions.

After Retirement	<p>Death of a retired member of the plan. The benefit is equal to:</p> <ul style="list-style-type: none"> <li>(a) Lump sum of 50% of compensation, plus</li> <li>(b) Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children, respectively.</li> </ul>
Accidental Death	<p>Death of an active member of the plan resulting during performance of duties. Benefit is equal to:</p> <ul style="list-style-type: none"> <li>(a) Lump sum payment equal to 3-1/2 times compensation, plus</li> <li>(b) Spousal life annuity of 70% of adjusted final compensation payable until spouse's death. If there is no surviving spouse, or upon death of the surviving spouse, a total of 20%, 35% or 50% of adjusted final compensation payable to one, two or three dependent children. If there is no surviving spouse or dependent children, 25% or 40% of adjusted final compensation to one or two dependent parents.</li> </ul>
Ordinary Disability	
Retirement	<p>Mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the Division of State Police and such incapacity is likely to be permanent.</p> <ul style="list-style-type: none"> <li>(a) The benefit for members with less than four years of service is a refund of the member's aggregate contributions.</li> <li>(b) For members with at least four years of service, the benefit is an immediate life annuity equal to 40% of final compensation plus 1-1/2% of final compensation for years of creditable service in excess of 26-2/3.</li> <li>(c) For members who are forced to retire with 20 but less than 25 years of service, the benefit is 50% of the member's final compensation plus 3% of final compensation for each year of service in excess of 20 years, to a maximum of 65% of final compensation.</li> </ul> <p>For death following disability retirement, a lump sum equal to 3-1/2 times compensation if death occurs prior to age 55 or 1/2 of compensation after age 55.</p>
Accidental Disability	
Retirement	<p>Totally and permanently disabled as a direct result of a traumatic event occurring during and as a result of his regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of final compensation. Upon death after disability retirement, lump sum benefit of 3-1/2 times final compensation if death occurs before 55 and 1/2 times final compensation if death occurs after 55.</p>

Loan Provision

Eligible if an active member of the State Police Retirement System with at least 3 years of contributory service. If eligible, a member may borrow an amount which is greater than \$50, but not more than 50% of aggregate contributions. The loan accrues interest at a rate set by the State Treasurer, which is based on a commercially reasonable rate as required by the Internal Revenue Code. An administrative fee may be charged for the loan.

Member Contributions

Each member contributes 7.5% of Compensation. Chapter 78, P.L. 2011 increased Member Contributions from 7.5% to 9.0% of Compensation effective October 2011.