

52:14-17.32F

LEGISLATIVE HISTORY CHECKLIST
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(School employees--health
benefits for deferred retirement)

NJSA: 52:14-17.32F et al

LAWS OF: 1992 CHAPTER: 126

BILL NO: A1136

SPONSOR(S) Heck and others

DATE INTRODUCED: March 16, 1992

COMMITTEE: ASSEMBLY: Education; Appropriations

SENATE: Budget

AMENDED DURING PASSAGE: Yes Amendments during passage
denoted by asterisks

DATE OF PASSAGE: ASSEMBLY: June 18, 1992 Re-enacted 10-8-92

SENATE: June 29, 1992 Re-enacted 10-19-92

DATE OF APPROVAL: October 23, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 4-6-92 & 6-11-92

SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG: pp

[FIRST REPRINT]
ASSEMBLY, No. 1136
STATE OF NEW JERSEY

INTRODUCED MARCH 16, 1992

By Assemblywoman HECK, Assemblymen CHARLES,
Haytaian, Roma, Assemblywoman Weber,
Assemblymen Wolfe, Cottrell, Romano, Impreveduto,
Rocco, Mikulak, DiGaetano, Felice and Geist

1 AN ACT concerning paid health benefits for certain educational
2 employees, amending P.L.1987, c.384 and supplementing
3 P.L.1961, c.49 (C.52:14-17.25 et seq.).
4

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

7 1. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to
8 read as follows:

9 3. A qualified retiree from the Teachers' Pension and Annuity
10 Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified
11 retiree, but not including survivors, are eligible to participate in
12 the program, regardless of whether the retiree's employer
13 participated in the program.

14 A qualified retiree is a retiree who:

15 a. Retired on a benefit based on 25 or more years of service
16 credit; [or]

17 b. Retired on a disability pension based on fewer years of
18 service credit; or

19 c. Elected deferred retirement based on 25 or more years of
20 service credit and who receives a retirement allowance.

21 [A retiree who elected deferred retirement is not a qualified
22 retiree.]

23 The program shall reimburse a qualified retiree who
24 participates in the program for the premium charges under Part B
25 of the federal medicare program for the retiree and the retiree's
26 spouse. A qualified retiree who retired under subsections a. and
27 b. of this section prior to the effective date of this 1987
28 amendatory and supplementary act is eligible for the coverage if
29 the retiree applies to the program for it within one year after the
30 effective date, and a qualified retiree as defined under subsection
31 c. of this section whose retirement allowance commenced prior
32 to the effective date of this 1992 amendatory act is eligible for
33 the coverage if the retiree applies to the program for it within
34 one year after the effective date.

35 The premium or periodic charges for benefits provided to a
36 qualified retiree and the dependents of the retiree, and the cost
37 for reimbursement of medicare premiums shall be paid by the
38 Teachers' Pension and Annuity Fund. The State Health Benefits
39 Commission shall annually certify to the fund the cost for
40 providing health benefits coverage to qualified retirees and their
41 dependents under this section. The fund shall annually remit to

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

Matter underlined thus is new matter.

Matter enclosed in superscript numbers has been adopted as follows:

¹ Assembly amendments adopted in accordance with the Governor's
recommendations September 21, 1991.

1 the commission the amount certified at a time specified by the
2 State Treasurer.

3 (cf: P.L.1987, c.384, s.3)

4 2. (New section) The provisions of section 3 of P.L.1987, c.384
5 (C.52:14-17.32f) shall apply to:

6 a. any employee of a board of education who retires on a
7 benefit based upon 25 or more years of service credit in the
8 Public Employees' Retirement System (P.L.1954, c.84;
9 C.43:15A-1 et seq.), or retires on a disability pension based upon
10 fewer years of service credit in that system, or elected deferred
11 retirement based upon 25 or more years of service credit and
12 receives a retirement allowance from that system; and

13 b. any employee of a county college who retires on a benefit
14 based upon 25 or more years of service credit in the Public
15 Employees' Retirement System (P.L.1954, c.84; C.43:15A-1
16 et seq.), or retires on a disability pension based upon fewer years
17 of service credit in that system, or elected deferred retirement
18 based upon 25 or more years of service credit and receives a
19 retirement allowance from that system; or who retires on a
20 benefit based upon 25 or more years of service credit in the
21 alternate benefit program (P.L.1969, c.242; C.18A:66-167
22 et seq.), or who receives a disability benefit pursuant to section
23 18 of P.L.1969, c.242 (C.18A:66-184), except that the costs of
24 the premium or periodic charges for the benefits and
25 reimbursement of medicare premiums provided to a retiree and
26 the dependents of the retiree under this section shall be paid by
27 the State.

28 An employee who retired prior to the effective date of this act
29 is eligible for the coverage if the employee applies to the
30 program for it within one year after the effective date.

31 13. (New section) Pursuant to P.L.1991, c.382 (C.52:9HH-1 et
32 seq.), the Pension and Health Benefits Review Commission shall
33 review every bill, joint resolution, or concurrent resolution
34 introduced in either House of the Legislature which constitutes
35 pensions or health benefits legislation as defined by P.L.1991,
36 c.382, and as determined by the Legislative Budget and Finance
37 Officer pursuant to that act.¹

38 1[3.] 4.¹ This act shall take effect ¹[immediately.] upon the
39 appointment by the President of the Senate and the Speaker of
40 the General Assembly of such members to the Pension and Health
41 Benefits Review Commission as the President of the Senate and
42 the Speaker of the Assembly are empowered to appoint, pursuant
43 to P.L.1991, c.382 (C.52:9HH-1 et seq.).¹

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48 Provides paid health benefits for certain educational employees
49 enrolled in PERS and the alternate benefit program.

1 the commission the amount certified at a time specified by the
2 State Treasurer.

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4 2. (New section) The provisions of section 3 of P.L.1987, c.384
5 (C.52:14-17.32f) shall apply to:

6 a. any employee of a board of education who retires on a
7 benefit based upon 25 or more years of service credit in the
8 Public Employees' Retirement System (P.L.1954, c.84;
9 C.43:15A-1 et seq.), or retires on a disability pension based upon
10 fewer years of service credit in that system, or elected deferred
11 retirement based upon 25 or more years of service credit and
12 receives a retirement allowance from that system; and

13 b. any employee of a county college who retires on a benefit
14 based upon 25 or more years of service credit in the Public
15 Employees' Retirement System (P.L.1954, c.84; C.43:15A-1
16 et seq.), or retires on a disability pension based upon fewer years
17 of service credit in that system, or elected deferred retirement
18 based upon 25 or more years of service credit and receives a
19 retirement allowance from that system; or who retires on a
20 benefit based upon 25 or more years of service credit in the
21 alternate benefit program (P.L.1969, c.242; C.18A:66-167
22 et seq.), or who receives a disability benefit pursuant to section
23 18 of P.L.1969, c.242 (C.18A:66-184), except that the costs of
24 the premium or periodic charges for the benefits and
25 reimbursement of medicare premiums provided to a retiree and
26 the dependents of the retiree under this section shall be paid by
27 the State.

28 An employee who retired prior to the effective date of this act
29 is eligible for the coverage if the employee applies to the
30 program for it within one year after the effective date.

31 3. This act shall take effect immediately.

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Spencer STATEMENT

36 Under the provisions of P.L.1987, c.384, a member of the
37 Teachers' Pension and Annuity Fund is entitled to paid health
38 benefits if the member retires on a benefit based on 25 or more
39 years of service credit or on a disability pension based on fewer
40 years of service credit. This bill provides the same benefit to an
41 employee of a board of education who is a member of the Public
42 Employees' Retirement System and to an employee of a county
43 college who is a member of PERS or the alternate benefit
44 program, except that the costs will be paid by the State rather
45 than TPAF. Those employees who are already retired may apply,
46 within one year of the effective date, for the benefit. The bill
47 also includes in the benefit an employee who elects deferred
48 retirement based on 25 or more years of service credit in TPAF,
49 PERS, or the alternate benefit program and who is receiving a
50 retirement allowance.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1136

STATE OF NEW JERSEY

DATED: APRIL 6, 1992

The Assembly Education Committee reports favorably Assembly Bill No. 1136.

This bill provides State-paid health benefits for certain employees of local school boards enrolled in the Public Employees Retirement System (PERS) and county college employees enrolled in PERS or the alternative benefit program.

Under current law, pursuant to the provisions of P.L.1987, c.384, a member of the Teachers' Pension and Annuity Fund (TPAF) is entitled to paid health benefits if the member retires on a benefit based on 25 or more years of service credit or on a disability pension based on fewer years of service credit. This bill provides the same benefit to an employee of a board of education who is a member of PERS and to an employee of a county college who is a member of PERS or the alternate benefit program, except that the costs will be paid by the State. This benefit is also available to an employee who elects deferred retirement based on 25 or more years of service credit in TPAF, PERS, or the alternate benefit program and who is receiving a retirement allowance. Those employees who are already retired may apply, within one year of the effective date, for the benefit.

A representative of the New Jersey League of Municipalities and the New Jersey School Boards Association testified in opposition to the bill. A representative of the New Jersey Education Association testified in favor of the bill.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1136

STATE OF NEW JERSEY

DATED: JUNE 11, 1992

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1136.

Assembly Bill No. 1136 provides State-paid health benefits for certain employees of local school boards enrolled in the Public Employees' Retirement System (PERS) and county college employees enrolled in PERS or the alternative benefit program.

Under current law, pursuant to the provisions of P.L.1987, c.384, a member of the Teachers' Pension and Annuity Fund (TPAF) is entitled to paid health benefits if the member retires on a benefit based on 25 or more years of service credit or on a disability pension based on fewer years of service credit. This bill provides the same benefit to an employee of a board of education who is a member of PERS and to an employee of a county college who is a member of PERS or the alternate benefit program, except that the costs will be paid by the State. This benefit is also available to an employee who elects deferred retirement based on 25 or more years of service credit in TPAF, PERS, or the alternate benefit program and who is receiving a retirement allowance. Those employees who are already retired may apply, within one year of the effective date, for the benefit.

FISCAL IMPACT:

The Division of Pensions, Department of Treasury, in an estimate for similar legislation in the previous session, estimated that there were 2,200 local government employees who would qualify, and that the cost for those employees would have been about \$6 million annually, based on 1990 actuarial data, and about \$111 million over the lives of those employees. That estimate was only for then current employees and did not include the costs associated with then eligible retirees. The division noted that P.L.1991, c.138 allows the purchase of credit for prior service, which would increase the number of eligible employees and the cost of the program to the State, but the number of employees actually purchasing credit was as yet unknown.

The Office of Legislative Services has noted that the average cost for husband and wife coverage under the State benefits program traditional plan is \$4,700. and that medical costs are increasing more rapidly than the average rate of inflation.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1136

STATE OF NEW JERSEY

DATED: JUNE 25, 1992

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1136.

Assembly Bill No. 1136 provides State-paid health benefits for certain employees of local school boards enrolled in the Public Employees' Retirement System (PERS) and county college employees enrolled in PERS or the alternative benefit program.

Under current law, pursuant to the provisions of P.L.1987, c.384, a member of the Teachers' Pension and Annuity Fund (TPAF) is entitled to paid health benefits if the member retires on a benefit based on 25 or more years of service credit or on a disability pension based on fewer years of service credit. This bill provides the same benefit to an employee of a board of education who is a member of PERS and to an employee of a county college who is a member of PERS or the alternate benefit program, except that the costs will be paid by the State. This benefit is also available to an employee who elects deferred retirement based on 25 or more years of service credit in TPAF, PERS, or the alternate benefit program and who is receiving a retirement allowance. Those employees who are already retired may apply, within one year of the effective date, for the benefit.

This bill is identical to Senate Bill No. 455.

FISCAL IMPACT:

The Division of Pensions, in an estimate prepared for similar legislation (A-2936 of 1990) estimated that about 2,200 local government employees would qualify and the cost, based on actuarial data from 1990, would be about \$6 million annually and \$111 million over the lifetime of the current employees. This estimate assumed pay-as-you go funding of the benefit. The first year cost would be higher if this benefit was reserve funded as a liability of the retirement system as is currently provided for in State law. The division noted that this estimate was for current employees only because there was no information available to indicate the number of eligible retirees. The division also noted that passage of P.L. 1991, c.138 (A-2836 of 1991), which permits government employees to purchase credit for prior service, would increase the number of eligible employees, and therefore the cost to the State. No estimate was available for this additional cost because no information was available on the number of employees who would actually purchase the credit or the amount of credit they would purchase.

The Office of Legislative Services (OLS) noted that it could not confirm the division's estimate. The OLS also noted that the average cost for coverage under the State Health Benefits Program for Blue Cross/Blue Shield/Prudential coverage (Traditional Plan) was \$4,700 annually for husband and wife coverage until age 65 when Medicare coverage begins. The OLS also noted that this cost would increase each year as medical costs increase.

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 1136
STATE OF NEW JERSEY

DATED: June 18, 1992

Assembly Bill No. 1136 of 1992 provides paid health benefits to employees of a board of education who are members of the Public Employees' Retirement System (PERS) and to employees of a county college who are members of PERS or the Alternate Benefit Program (ABP) who retire with 25 or more years of service credit, including deferred retirement, or on a disability pension with fewer years of service credit. The bill permits those employees who are already retired to apply, within one year of the effective date, for this benefit. The bill provides that the additional cost of providing this benefit will be paid by the State.

The bill also provides paid health benefits to members of the Teachers' Pension and Annuity Fund (TPAF) who elected deferred retirement based on 25 or more years of service credit, with the cost to be paid by the retirement system.

The Division of Pensions, in an estimate prepared for similar legislation (A-2936 of 1990) estimated that about 2,200 local government employees would qualify and the cost, based on actuarial data from 1990, would be about \$6 million annually and \$111 million over the lifetime of the current employees. This estimate assumed pay-as-you go funding of the benefit. The first year cost would be higher if this benefit was reserve funded as a liability of the retirement system as is currently provided for in State law. The division noted that this estimate was for current employees only because there was no information available to indicate the number of eligible retirees. The division also noted that passage of P.L. 1991, c.138 (A-2836 of 1991), which permits government employees to purchase credit for prior service, would increase the number of eligible employees, and therefore the cost to the State. No estimate was available for this additional cost because no information was available on the number of employees who would actually purchase the credit or the amount of credit they would purchase.

The Office of Legislative Services (OLS) noted that it could not confirm the division's estimate. The OLS also noted that the average cost for coverage under the State Health Benefits Program for Blue Cross/Blue Shield/Prudential coverage (Traditional Plan) was \$4,700 annually for husband and wife coverage until age 65 when Medicare coverage begins. The OLS also noted that this cost would increase each year as medical costs increase.

This legislative fiscal estimate has been prepared by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

September 10, 1992

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

ASSEMBLY BILL NO. 1136

To the General Assembly:

Pursuant to Article V, Section I, paragraph 14 of the Constitution, I am returning Assembly Bill No. 1136 with my objections for reconsideration.

In 1987, the State enacted N.J.S.A. 52:14-17.32, which made health insurance benefits available to teachers who retire immediately after at least 25 years of service. Under this law, qualified retired teachers can obtain free health insurance coverage through the Teachers' Pension and Annuity Fund ("TPAF"). However, this law omitted coverage for other educational employees, such as custodians, bus drivers, and secretaries. The result is that employees who work for school districts are currently treated differently according to what job they perform: if you are a retired teacher, you receive the benefit, if you are a retired custodian or cafeteria worker, you do not.

The bill before me would resolve this discrepancy by extending health insurance benefits to all retirees of public schools. This bill would, in effect, add 1,500 retirees to the pool of about 20,000 retired teachers who currently receive health benefits paid for by the State. This bill would make health coverage available to three groups of retirees who are not currently covered: employees of local boards of education who are not teachers, certain employees of county colleges, and teachers participating in TPAF who have deferred retirement.

I am pleased that the Legislature has presented me with a bill that not only widens access to health care, but also makes current law more equitable. It goes without saying, of course, that our health care system is in serious need of reform. In New Jersey alone, 800,000 of our citizens are uninsured. These citizens struggle every day of their lives with the anxiety of not knowing

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how they would pay for their medical bills if they were to become sick, or get hurt in an accident. This bill would ease this anxiety for the 1,500 public school retirees who would for the first time qualify for health care benefits upon retirement. For many of these elderly individuals, whose retirement income amounts to a fraction of what they earned when they were working, health insurance is simply a luxury they cannot afford.

In addition, this legislation makes sense because it eliminates an inequity in the current law. Existing law provides health coverage to retired teachers, but denies the same benefits to other retired school employees, such as custodians and bus drivers. It is inherently unfair to provide for the future of our devoted teachers, but to ignore the needs of equally loyal and hard-working employees who sweep the schoolhouse floor, prepare hot lunches for our children, and drive our children safely back and forth to school every day. If the State is going to provide health benefits to school employees, it should not discriminate according to status or job title. This bill fosters a sense of equity by treating all school employees -- whether they are teachers or custodians or secretaries or bus drivers -- with equal respect and concern. For that reason, I support the idea of extending health coverage to all retirees of our public schools.

However, I want to take this opportunity to express some general concerns that I have regarding benefits for local government employees. Traditionally, of course, the State has never undertaken the potentially staggering responsibility of purchasing health insurance benefits for the over 320,000 employees of New Jersey's cities, towns, and counties. The State currently provides health benefits to its own employees under certain circumstances, but has never -- nor could it possibly -- offer to provide such benefits to all employees of local government here in New Jersey. The State has done an excellent job of assisting local governments to provide decent benefits packages to their employees. The State administers first rate pension systems -- such as the Public Employees' Retirement System (PERS), and the Police and Firemens' Retirement

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system -- which are open to all local government employees. In addition, the State permits local governments to provide health insurance benefits to its employees through the State's health benefits system, thus allowing these smaller units of government to take advantage of the economies of scale that are created by the State's system.

There is no question that it would be impossible for the State to assume the awesome fiscal responsibility of providing health insurance benefits to all local government employees. There are currently over 320,000 employees who work at all levels of local government. Providing health insurance benefits directly to these employees would carry an annual pricetag of over \$1 billion. Unless dramatic health care reform takes place and the cost of health insurance is driven down, the taxpayers of this State simply cannot be expected to foot a bill of that size.

That is why the State has limited its assistance thus far to public school retirees -- a commitment that we are today making more equitable. Nevertheless, we must remain mindful of the needs not only of our public school employees, but also of all local government workers. That is why, over six months ago, I signed into law P.L. 1991, c. 382, which created the Pension and Health Benefits Review Commission. This Commission -- which consists of 10 public members, six representing the Executive Branch and the rest to be appointed by the Legislature -- is responsible for reviewing all legislation that involves changes to the benefits received by government employees.

I am dismayed that this bill was acted upon without being referred to the Pension and Health Benefits Review Commission. I understand that the Legislature has not yet finalized its appointments to this Commission, which it ought to do without further delay. Indeed, if it were not for the fact that this bill resolves an unacceptable inequity between teachers and other school employees, I would have seriously considered vetoing this bill outright. Instead, I am returning this bill to the Legislature with recommendations that it extend these benefits as proposed so long as the Legislature follows through with its required appointments. I

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EXECUTIVE DEPARTMENT

am further recommending that the Legislature add a provision making it clear that no further benefits bills may reach my desk without first being acted upon by the Commission, as required by law.

Therefore, I herewith return Assembly Bill No. 1136 and recommend that it be amended as follows:

Page 2, Line 31: Add new Section 3 to read "3. Pursuant to P.L. 1991, c. 382, the Pension and Health Benefits Review Commission shall review every bill, joint resolution, or concurrent resolution introduced in either House of the Legislature, which constitutes pensions or health benefits legislation as defined by P.L. 1991, c. 382, and as determined by the Legislative Budget and Finance Officer pursuant to that Act."

Page 2, Line 31: Delete "3." insert "4."; delete "immediately." insert "upon the appointment by the President of the Senate and the Speaker of the General Assembly of such members to the Pension and Health Benefits Commission as the President of the Senate and the Speaker of the Assembly are empowered to appoint, pursuant to P.L. 1991, c. 382."

Respectfully

/s/ James J. Florio

GOVERNOR

[seal]

Attest:

/s/ M. Robert DeCotiis

Chief Counsel to the Governor