

CHAPTER 281 LAWS OF N. J. 1967

APPROVED 1-12-68

SENATE, No. 540

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 20, 1967

By Senators FELDMAN and WADDINGTON

(Without Reference)

AN ACT to provide an alternate program of benefits for certain members of the faculty of the State colleges, in lieu of benefits now provided.

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

1 1.(a) Notwithstanding the provisions of any other law, within
2 180 days after the effective date of this act, the Board of Higher
3 Education shall provide an alternate program of benefits for certain
4 employees in lieu of benefits under the Teachers' Pension and
5 Annuity Fund, which program shall be known as the alternate
6 benefit program and which shall provide for individual retirement
7 annuity contracts, both fixed and variable in nature, to become the
8 property of the participants in said program individually; and
9 group contracts providing life insurance which, notwithstanding
10 any other provision of law, shall be in an amount equal to 1½ times
11 the base annual salary of said participant in the event of death
12 prior to retirement; and which may provide insurance coverage
13 after retirement in an amount not to exceed ¾ of the participant's
14 base annual salary at the time of retirement; and disability benefits
15 for all such participants. The Board of Higher Education shall
16 perform or provide for performance of all things necessary to
17 prepare and operate said program.

18 (b) The Board of Higher Education may also provide for ad-
19 ditional death benefit coverage in accordance with rules and regula-
20 tions as adopted by the Board of Higher Education from time to
21 time on the basis of factors deemed appropriate by it. A member
22 of the alternate benefit program will be eligible to purchase the
23 additional death benefit coverage provided that he or she selects
24 such coverage within 1 year after the effective date of membership.
25 A schedule of employee contributions shall be established by the

26 Board of Higher Education on a basis it deems appropriate which
27 schedule shall be subject to adjustment from time to time for
28 purpose of meeting the entire cost of the additional death benefit
29 coverage.

30 (c) Any other provisions of this act notwithstanding the con-
31 tributions of a member for the additional death benefit coverage
32 under this section shall not be returnable to the member or his
33 beneficiary in any manner, or for any reason whatsoever, nor shall
34 any contributions made for the additional death benefit coverage
35 be included in any annuity payable to any such member or to his
36 beneficiary.

1 2. All full-time faculty members, except those persons in in-
2 eligible categories designated in the regulations of the Board of
3 Higher Education which regulations shall be of uniform applica-
4 tion, shall participate in the alternate benefit program, provided
5 that no person who was in employment with a State college on
6 the effective date of this act and who was then a member of the
7 Teachers' Pension and Annuity Fund shall participate in the
8 alternate benefit program unless he shall so elect by filing an
9 application with the Teachers' Pension and Annuity Fund within
10 90 days following the establishment of the alternate benefit pro-
11 gram by the Board of Higher Education declaring his election to
12 participate in the alternate benefit program.

13 Upon such election, the Teachers' Pension and Annuity Fund
14 shall cause prompt notice of said election to be given to the Board
15 of Higher Education and shall transfer to the individual's account
16 in the alternate benefit program, the amount of accumulated de-
17 ductions standing to his credit in the Annuity Savings Fund of
18 the Teachers' Pension and Annuity Fund as of date of transfer.

1 3. There shall also be transferred from the Contingent Reserve
2 Fund or the pension fund of the Teachers' Pension and Annuity
3 Fund to the individual's account in the alternate benefit program,
4 the pension reserve required as of the date of his transfer to
5 provide a pension for each year of service credited to the account
6 of the member as set forth in section 36 or section 44 of chapter 37,
7 of the laws of 1955 as amended and supplemented as of the effective
8 date of this act. Such transfer from the Contingent Reserve Fund
9 or the pension fund of the Teachers' Pension and Annuity Fund
10 shall be made at the time of the member's transfer to the alternate
11 benefit program in the case of any such member who has then met
12 the eligibility requirements for a pension under the aforementioned
13 section 36 or section 44 of chapter 37, public laws of 1955. In the
14 case of any member who elects to participate in the alternate
15 benefit program who has not then met the eligibility requirements

16 for a pension under section 36 or section 44 of chapter 37, public
17 laws of 1955, the transfer from the Contingent Reserve Fund or
18 the pension fund of the Teachers' Pension and Annuity Fund shall
19 be effected at the time such requirements have been met, taking
20 into account for the purpose of such eligibility requirement his
21 years of membership service at the time of his election and his
22 subsequent years of service as a full-time member of the faculty
23 of a State college, or at the time he shall have 10 years of credit
24 for New Jersey service and become physically incapacitated for
25 the performance of duty if he had been a member of the Teachers'
26 Pension and Annuity Fund as of the date of transfer.

27 The annuity to be used in determining the amount of pension
28 is the actuarial equivalent of the member's accumulated deductions
29 transferred from the Teachers' Pension and Annuity Fund to the
30 date the member attains 60 years of age, if subsequent to the date
31 of election. The amount of pension is that established by formula
32 within section 44 of chapter 37, P. L. 1955 as amended and supple-
33 mented as of the effective date of this act and changes to section 44
34 enacted subsequent to this act shall have no application to the
35 provisions of this act.

36 In the event that the eligibility requirement under section 36 of
37 chapter 37, P. L. 1955 is changed at some future date to permit
38 members to become eligible for such benefit prior to the completion
39 of 15 years of service, the transfer of the reserve from the
40 Contingent Reserve Fund or the pension fund of the Teachers'
41 Pension and Annuity Fund shall be effected as of the date the
42 member who had elected the alternate benefits program meets the
43 amended eligibility requirement or the effective date of the amend-
44 ment, if later.

45 In the event an option is available with respect to the distri-
46 bution of employee and employer contributions between fixed and
47 variable annuities under the alternate benefit program, the em-
48 ployee shall have the right to determine the percentage distribution
49 of these funds subject to any limitations imposed by the designated
50 insurer or insurers.

1 4. Any person participating in the alternate benefit program
2 shall be ineligible for membership in the Teachers' Pension and
3 Annuity Fund and any person electing to participate in the alter-
4 nate benefit program shall thereby waive all rights and benefits
5 provided by the Teachers' Pension and Annuity Fund as a member
6 of said fund except as herein and otherwise provided by law.

7 Any person receiving a benefit by reason of his retirement from
8 any retirement or pension system of the State of New Jersey or
9 any political subdivision thereof shall be ineligible to participate

10 in the alternate benefit program.

1 5. The Board of Higher Education shall provide for deductions
2 from the compensation of each participant in the alternate benefit
3 program of an employee contribution equal to 5% of the partici-
4 pant's base salary and pay this amount to the insurer or insurers
5 for the individual's retirement annuity contract or contracts. The
6 intervals for deductions and payments shall be determined by the
7 Board of Higher Education. Based on a certification by the Board
8 of Higher Education of the number and base salary of participants,
9 the State shall make payments to the Board of Higher Education
10 as employer contributions to the alternate benefit program at a
11 rate equal to the normal contribution made by the State on behalf
12 of nonveteran members of the Public Employees' Retirement Sys-
13 tem, which moneys the Board of Higher Education shall pay to the
14 designated insurer or insurers for the benefit of each participant.

1 6. The Board of Higher Education shall designate the insurer
2 or insurers from which contracts are to be purchased under the
3 alternate benefit program and shall approve the form and content
4 of such contracts. In making such designation and giving such
5 approval the board shall give due consideration to (a) the nature
6 and extent of the rights and benefits to be provided by such con-
7 tracts for employees and their beneficiaries, (b) the relation of
8 such rights and benefits to the amount of contributions to be made
9 under this act, (c) the suitability of such rights and benefits to the
10 needs and interests of employees and to the interests of the State
11 colleges in the recruitment and retention of employees, and (d) the
12 ability of the designated insurer or insurers to provide such
13 suitable rights and benefits under such contracts.

1 7.(a) Notwithstanding any other provisions of this act, no con-
2 tributions to any retirement annuity contracts shall be made by
3 the Board of Higher Education until the completion of 1 year of
4 employment and commencement of a second consecutive year of
5 employment. Employee contributions required during this initial
6 year of service shall be deducted and held by the respective State
7 college. Upon the commencement of such second year the amount
8 of the employee contributions, and such amount of the employer
9 contribution herein required as has not theretofore been paid for
10 said employee, together with interest on both portions at the rate
11 of 4% per annum, shall be paid over to the designated insurer or
12 insurers for and on behalf of such employee. If such an employee
13 does not commence such second year the amount of employee con-
14 tributions deducted from his compensation shall be refunded to him.

15 (b) The provisions of subsection (a) of this section shall not
16 apply to any employee who, at the time of initial employment, owns

17 a retirement annuity contract or contracts determined by the Board
18 of Higher Education to be substantially similar to the contracts
19 to be purchased under the alternate benefit program and issued
20 by the designated insurer or insurers.

1 8. The Board of Higher Education is hereby authorized to permit
2 the State colleges to enter into agreements with each employee
3 participating in the alternate benefit program whereby the em-
4 ployee agrees to take a reduction in salary with respect to amounts
5 earned after the effective date of such agreement in return for the
6 agreement of the college to use a corresponding amount to purchase
7 an annuity for such employee so as to obtain the benefits afforded
8 under section 403(b) of the Federal Internal Revenue Code, as
9 amended. Any such agreement shall specify the amount of such
10 reduction, the effective date thereof, and shall be legally binding
11 and irrevocable with respect to amounts earned while the agree-
12 ment is in effect; provided, however, that such agreement may be
13 terminated after it has been in effect for a period of not less than
14 one year upon notice in writing by either party, and provided
15 further that not more than one such agreement shall be entered
16 into during any taxable year of the employee. For the purposes
17 of this section, any annuity or other contract which meets the
18 requirements of section 403(b) of the Federal Internal Revenue
19 Code, as amended, may be utilized. The amount of the reduction
20 in salary under any agreement entered into between the colleges
21 and any employee pursuant to this section shall not exceed 10%
22 of the employee's salary prior to such reduction.

1 9. The term "accumulated deductions" as used herein is as
2 defined in section 2 of chapter 37, P. L. 1955, as amended and
3 supplemented.

4 The term "pension reserve" as used herein is as defined in
5 section 2 of chapter 37, P. L. 1955, as amended and supplemented.

6 The term "Board of Higher Education" refers to the board
7 established pursuant to section 2 of chapter 302, P. L. 1966.

8 The term "State colleges" refers to the colleges so designated
9 by the Board of Higher Education.

10 "Full-time" faculty shall be as defined by the Board of Higher
11 Education by regulation of uniform application, and shall also
12 include the presidents of the colleges.

1 10. Notwithstanding any other provision of law, any insurance
2 company or companies, issuing policy or policies may credit the
3 Board of Higher Education either directly or in the form of reduced
4 premiums, with savings by said company or companies in the event
5 that no brokerage commission or commissions are paid by said
6 company or companies on the issuance of such policy or policies.

1 11. Any dividend or retrospective rate credit allowed by an
 2 insurance company shall be used for purposes of the alternate
 3 benefit program and shall be credited to the funds available to
 4 purchase the contracts provided for in section 1 of the act in an
 5 equitable manner.

1 12. No retirement, death, or other benefit shall be payable by
 2 the State or the Board of Higher Education under the alternate
 3 benefit program. Benefits shall be payable to participating em-
 4 ployees and their beneficiaries only by the designated insurer or
 5 insurers under the terms of the contracts.

1 13. This act shall take effect immediately.

STATEMENT

This bill is designed to aid the Board of Higher Education in the recruitment of faculty who wish to continue individual retirement programs of the type begun in employment at other educational institutions.

The bill creates an alternate benefit program which will replace the Teachers' Pension and Annuity Fund for those affected. The program will therefore provide life and disability benefits as well as the individual retirement annuity contracts.

State payments to this alternate program will be fixed at the average contribution made by the State for members of the Public Employees' Retirement System and therefore equivalent to what the State will pay to Rutgers, the State University for those participating in a comparable alternate benefit program.

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Office of the Governor

FOR RELEASE: January 16, 1968

Governor Richard J. Hughes, in announcing his signing of Senate Bill 540 (1967) described the measure as "a significant step in aiding the Board of Higher Education, Chancellor Dungan, and our state college administrators in the recruitment of faculty."

The legislation provides an alternate program of retirement and disability benefits for members of the six state college faculties. College faculty members are now in the Teachers' Pension and Annuity Fund. The new law requires the State Board of Higher Education to provide an alternate program within 180 days.

"This alternate program was recommended by the Department of Higher Education after discussions with state college officials and faculty members," said the Governor. "It will give our state colleges much greater flexibility in attracting first-rate staff members by providing the flexibility of movement that is an essential aspect of our nation's higher education system.

"At the same time, the new law in no way adversely affects the rights of present State college faculty members. They will have the option of remaining in the Teachers' Pension and Annuity Fund or transferring to the new program."

In addition to Senate Bill No. 540, the Governor also signed into law the following bills:

Senate Bill No. 185 -- which permits private employment agencies to refer adults over 21 years of age for work as baby sitters.

Senate Bill No. 161 (with Governor's recommendations) -- which authorizes municipalities to regulate entrances and exits to parking lots from streets other than state highways.

The Governor signed into law on Thursday, January 11, 1968, the following bill:

Assembly Bill No. 952 -- which authorizes the Newark College of Engineering to provide an alternate pension benefit system for full-time faculty members, comparable to benefit program authorized for Rutgers, The State University, and, under Senate Bill No. 540, for the state colleges.