

P.S. 40:11-15.1 et seq.

LEGISLATIVE FACT SHEET

ON

N.J.R.S. 40:11-15.1 et seq. (School districts -
inc.) (1964 Amendment)

LAWS OF 1964

CHAPTER 259

SENATE 276

ASSEMBLY

INTRODUCED Mar. 23, 1964

BY Sarcone, Kelley

STATEMENT

YES

NO

AMENDED DURING PASSAGE

YES

NO

HEARING

YES

VETO

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SENATE, No. 276

STATE OF NEW JERSEY

INTRODUCED MARCH 23, 1964

By Senators SARCONE and KELLY

Referred to Committee on State, County and Municipal Government

AN Act to amend "An act concerning counties, municipalities, school districts, or agencies thereof in relation to certain group insurance programs, and repealing sections 40:11-15 and 40:11-16 of the Revised Statutes," approved January 18, 1961 (P. L. 1960, c. 180).

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

1 1. Section 1 of the act of which this act is amendatory is amended to
2 read as follows:

3 1. [In any county, municipality, school district, or agency thereof where
4 the employees of the county, municipality, or agency thereof, or the em-
5 ployees of the school district who are in the classified service of civil service,
6 have or shall have formed themselves into groups for the purpose of obtain-
7 ing the advantages of a group plan of life insurance, a group plan of health
8 and accident insurance, a group plan for any hospital service or a group
9 plan for medical and surgical insurance, or one or more of them, for them-
10 selves, or for themselves and their husbands or wives and dependent children
11 under 19 years of age, the governing body of the county, municipality,
12 school district, or agency thereof, when written petitions and authorizations
13 signed by the employees as individuals, are filed with the receiving and
14 disbursing officer of the county, municipality, school district, or agency

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

15 thereof, may authorize, by resolution, the deductions specified in the written
 16 petitions and authorizations, and the payment of them to the designated
 17 fiscal agent of the group. Nothing herein contained shall be deemed to au-
 18 thorize coverage of dependents of an employee under a group life insurance
 19 policy or to allow the issuance of a group life insurance policy on which the
 20 entire premium is to be derived from funds contributed by the insured
 21 employees.]

22 *A municipality, county, school district, or agency thereof may enter into*
 23 *contracts of group life, accidental death and dismemberment, health, hospi-*
 24 *talization, medical, surgical, or accident insurance with any insurance com-*
 25 *pany or companies authorized to do business in this State or may contract*
 26 *with a non-profit hospital service or medical service corporation. Such con-*
 27 *tract or contracts shall provide any one or more of such coverages for any*
 28 *class or classes of the employees of such municipality, county, school dis-*
 29 *trict, or agency thereof and may include any class or classes of their de-*
 30 *pendents or family members. Nothing herein contained shall be deemed to*
 31 *authorize coverage of dependents of an employee under a group life insur-*
 32 *ance policy or to allow the issuance of a group life insurance policy on*
 33 *which the entire premium is to be derived from funds contributed by the*
 34 *insured employees. The term "employees" as used herein shall be deemed to*
 35 *include retired employees and elected or appointed officials.*

1 2. Section 2 of the act of which this act is amendatory is amended to
 2 read as follows:

3 2. [Whenever a group has or shall have been established in accordance
 4 with the provisions of section 1 of this act, the governing body of the county,
 5 municipality, school district, or agency thereof in which the group or groups
 6 are formed, may pay, as additional compensation to the individual members
 7 of the group or groups, a part or all of the premium on the group policy or
 8 policies covering themselves, or themselves and their husbands or wives and
 9 dependent children under 19 years of age. Nothing herein contained shall be
 10 construed as compelling the governing body of any county, municipality,

11 school district, or agency thereof to pay any portion of the premium on such
12 group or groups.]

13 *The municipality, county, school district or agency thereof is hereby*
14 *authorized to pay part or all of the premiums or charges for such con-*
15 *tracts and may appropriate out of its general funds any money necessary*
16 *to pay such premiums or charges or portions thereof. The contribution re-*
17 *quired of any employee toward the cost of such coverage may be deducted*
18 *from the pay, salary, pension or other compensation of such employee upon*
19 *an authorization in writing made pursuant to chapter 7 of the laws of 1946*
20 *as amended.*

21 *Nothing herein shall be construed as compelling the governing body of*
22 *any municipality, county, school district, or agency thereof to pay any por-*
23 *tion of the premiums or charges on such group or groups.*

1 3. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to clarify the right of counties, municipalities, school districts, or agencies thereof to provide group insurance and hospital and medical services for elected and appointed officials and retired employees, and to eliminate any doubts that may have been raised by recent court decisions.

Comm -
SENATE AMENDMENT TO
SENATE, No. 276

STATE OF NEW JERSEY

ADOPTED APRIL 27, 1964

Amend page 3, section 2, line 19, after the word "made", add "to the appropriate disbursing officer" and delete "pursuant to chapter 7 of the laws of 1946 as amended".

[OFFICIAL COPY REPRINT]

SENATE, No. 276

Returned with Gov's
Recommendations
11-16-64

STATE OF NEW JERSEY

INTRODUCED MARCH 23, 1964

By Senators SARCONE and KELLY

Referred to Committee on State, County and Municipal Government

AN ACT to amend "An act concerning counties, municipalities, school districts, or agencies thereof in relation to certain group insurance programs, and repealing sections 40:11-15 and 40:11-16 of the Revised Statutes," approved January 18, 1961 (P. L. 1960, c. 180).

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

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4 the employees of the county, municipality, or agency thereof, or the em-
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7 ing the advantages of a group plan of life insurance, a group plan of health
8 and accident insurance, a group plan for any hospital service or a group
9 plan for medical and surgical insurance, or one or more of them, for them-
10 selves, or for themselves and their husbands or wives and dependent children
11 under 19 years of age, the governing body of the county, municipality,
12 school district, or agency thereof, when written petitions and authorizations
13 signed by the employees as individuals, are filed with the receiving and
14 disbursing officer of the county, municipality, school district, or agency

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

15 thereof, may authorize, by resolution, the deductions specified in the written
16 petitions and authorizations, and the payment of them to the designated
17 fiscal agent of the group. Nothing herein contained shall be deemed to au-
18 thorize coverage of dependents of an employee under a group life insurance
19 policy or to allow the issuance of a group life insurance policy on which the
20 entire premium is to be derived from funds contributed by the insured
21 employees.]

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24 *talization, medical, surgical, or accident insurance with any insurance com-*
25 *pany or companies authorized to do business in this State or may contract*
26 *with a non-profit hospital service or medical service corporation. Such con-*
27 *tract or contracts shall provide any one or more of such coverages for any*
28 *class or classes of the employees of such municipality, county, school dis-*
29 *trict, or agency thereof and may include any class or classes of their de-*
30 *pendents or family members. Nothing herein contained shall be deemed to*
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32 *ance policy or to allow the issuance of a group life insurance policy on*
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34 *insured employees. The term "employees" as used herein shall be deemed to*
35 *include retired employees and elected or appointed officials.*

1. 2. Section 2 of the act of which this act is amendatory is amended to
2 read as follows:

3 2. [Whenever a group has or shall have been established in accordance
4 with the provisions of section 1 of this act, the governing body of the county,
5 municipality, school district, or agency thereof in which the group or groups
6 are formed, may pay, as additional compensation to the individual members
7 of the group or groups, a part or all of the premium on the group policy or
8 policies covering themselves, or themselves and their husbands or wives and
9 dependent children under 19 years of age. Nothing herein contained shall be
10 construed as compelling the governing body of any county, municipality,

11 school district, or agency thereof to pay any portion of the premium on such
12 group or groups.]

13 *The municipality, county, school district or agency thereof is hereby*
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15 *tracts and may appropriate out of its general funds any money necessary*
16 *to pay such premiums or charges or portions thereof. The contribution re-*
17 *quired of any employee toward the cost of such coverage may be deducted*
18 *from the pay, salary, pension or other compensation of such employee upon*
19 *an authorization in writing made *to the appropriate disbursing officer**
20 **[pursuant to chapter 7 of the laws of 1946 as amended]*.*

21 *Nothing herein shall be construed as compelling the governing body of*
22 *any municipality, county, school district, or agency thereof to pay any por-*
23 *tion of the premiums or charges on such group or groups.*

1 3. This act shall take effect immediately.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

November 16, 1964

SENATE BILL NO. 276

To the Senate:

Pursuant to Article V, Section I, paragraph 14(b) of the Constitution, I herewith return Senate Bill No. 276, with my objections, for reconsideration.

This bill would amend the act which authorizes counties, municipalities and school districts or agencies thereof to provide group plans of life insurance and hospital and accident insurance for their employees and their dependents. In the recent case of Riddlestorffer v. Rahway, 82 N.J. Super. 36 (Law Div. 1963), it was held that this act did not permit such local units to enter into contracts to provide life insurance and health benefits coverage for elected or appointed officials or for retired employees. Since a great many of our local units have existing contracts more extensive than that permitted under the present law, this bill has been advanced to ratify the existing practices.

I am in complete agreement with the Legislature's desire to clarify the law on this subject, and to validate existing contracts. I am not certain, however, that the Legislature, in its zeal to preserve all of the contracts now in existence no matter how extensive or far-reaching, gave full consideration to the basic question as to the extent of the obligation of governmental employers to provide benefits for their employees.

For example, this year the State Employees' Health Benefits Act has been extended and its provisions have been made available to all local employers. (Chapter 125, P.L. 1964). Under the provisions of this act, the benefits which are available to active employees are carefully specified by statute and the necessary administrative discretion has been vested in a single agency, the State Health Benefits Commission. In addition, this

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Senate Bill No. 276

- 2 -

law clearly limits the benefits which may be extended to retired employees and their dependents and provides for minimum financial participation by retired employees.

In the face of such a careful and limited extension of benefits on the one hand, it would seem rather incongruous to adopt Senate Bill No. 276 which would require every local employer (and there would be in excess of 1,200 such local employers) to grapple individually with the problem of benefit coverage not only for active but also retired employees without the assistance of a single legislative standard.

Nevertheless, I recognize that there are contracts now in existence and that it is not possible, at this time, to rewrite the law concerning employee benefits for the purpose of achieving uniformity of treatment. I do recommend, however, that copies of any future contracts be filed with the State Health Benefits Commission which would have the responsibility of reviewing these contracts and reporting to the Governor and the Legislature periodically its recommendations for achieving uniformity of benefits and treatment of employees throughout the State.

Although it is not possible at the present time to require the uniformity of treatment, any legislation which is enacted to modify the situation created by the Riddlestorffer case should set forth some minimum standards and limitations concerning retired employees to guide our local employers. I recommend that standards similar to those set forth in the Public and School Employees' Health Benefits Act be adopted.

In addition, I believe that the provisions of this bill should provide specifically for the validation of existing contracts, provided that they comply with the new provisions, so that no possible misunderstanding can arise as to the rights of employees under these existing contracts. As Senate Bill No. 276 is now written it is conceivable that any existing contracts would have to be renegotiated. Such a result should be avoided.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Senate Bill No. 276

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Finally, I recommend that the provisions which authorize the deduction from a retired employee's pension of his share of the cost of any coverage be eliminated. The Division of Pensions is responsible for the administration of the State's major pension systems. They have indicated that by virtue of the great number of contracts in existence and the large number of carriers writing such coverage that it would be administratively impossible for them to assume the responsibility implied by this provision. According to their records, there are more than 806 local employers providing some form of health benefits protection for more than 140,000 employees. This coverage has been placed with approximately 50 different authorized carriers.

Accordingly, I herewith return Senate Bill No. 276 for reconsideration and recommend that it be amended as follows:

On page 1, Title, line 1, after "amend" insert "and supplement".

On page 2, section 1, line 22, delete "A" and insert in lieu thereof "(A) Any"

On page 2, section 1, line 22, after "thereof" insert ", herein referred to as employers,"

On page 2, section 1, lines 28 and 29, delete "municipality, county, school district, or agency thereof" and insert in lieu thereof "employer".

On page 2, section 1, line 35, delete "retired employees and".

On page 2, section 1, line 35, after line 35 insert the following new subsection:

"(B) The coverage of any employee, and of his dependents or family members, if any, shall cease upon the discontinuance of his employment or upon cessation of active full-time employment subject to such provision as may be made in any contract by his employer for limited continuance of coverage during disability, part-time employment, leave of absence or lay off, and for continuance of coverage after retirement."

On page 3, section 2, line 13, delete "The municipality, county, school district or agency thereof" and insert in lieu thereof "(A) Any employer entering into a contract pursuant to the provisions of section 1 of this act".

On page 3, section 2, line 18, delete ", pension".

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Senate Bill No. 276

- 4 -

On page 3, section 2, line 20, after line 20 insert the following new subsection:

"(B) The continuance of coverage after retirement of any employee may be provided at such rates and under such conditions as shall be prescribed in the contract provided, however, that the retired employee shall be required to pay an amount not less than the total amount which would have been required to have been paid by him and his employer for the coverage maintained had he continued in employment. The contribution required of any retired employee toward the cost of such coverage may be paid by him to his former employer or in such other manner as the employer shall direct."

On page 3, section 2, line 21, before "Nothing" insert "(C)".

On page 3, section 2, lines 21 and 22, delete "the governing body of any municipality, county, school district, or agency thereof" and insert in lieu thereof "an employer".

On page 3, section 2, line 23, delete "on such group or groups" and insert in lieu thereof "attributable to such contracts".

On page 3, section 2, line 23, after line 23 insert the following new sections:

"3. It shall be the duty of the executive officer of any employer who hereafter enters into a contract pursuant to the provisions of this act to file a copy thereof with the State Health Benefits Commission. The Commission shall prepare and file periodically and not less than every 2 years, a report to the Governor and the Legislature as to the contracts being entered into by employers under the provisions of this act and shall make such recommendations concerning such contracts and the coverage thereunder as it deems appropriate to achieve uniformity of coverage and benefits for employees throughout the State.

"4. (A) Any contract heretofore executed between an employer and an authorized insurer which would be valid under the provisions of this act is hereby validated and confirmed notwithstanding that such a contract may not have been authorized or properly entered into under the provisions of the act of which this act is amendatory and supplementary.

"(B) Any contract heretofore executed between an employer and an authorized insurer which would be valid under the provisions of this act except for the provisions of section 2 (B) hereof, requiring the payment of premiums by retired employees, is hereby validated and confirmed but such contracts shall not be renewed or extended unless they are amended or modified to be in accord with the provisions of this act.

"(C) It shall not be a defense to the payment or satisfaction of any claim for benefits under any contract or policy validated and confirmed by the provisions of this act that such contract or policy was ultra vires, improperly entered into or otherwise not authorized by law."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

Senate Bill No. 276

- 5 -

On page 3, section 3, line 1, delete "3." and insert in lieu thereof "5."

Respectfully,

RICHARD J. HUGHES

GOVERNOR

[SEAL]

Attest:

LAWRENCE BILDER

Acting Secretary to the Governor

SENATE AMENDMENTS TO

SENATE, No. 276

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

ADOPTED DECEMBER 17, 1964

Amend page 1, Title, line 1, after "amend" insert "and supplement".

Amend page 2, section 1, line 22, delete "A" and insert in lieu thereof "(A) Any".

Amend page 2, section 1, line 22, after "thereof" insert ", herein referred to as employers,".

Amend page 2, section 1, lines 28 and 29, delete "municipality, county, school district, or agency thereof" and insert in lieu thereof "employer".

Amend page 2, section 1, line 35, delete "retired employees and".

Amend page 2, section 1, line 35, after line 35 insert the following new subsection:

"(B) The coverage of any employee, and of his dependents or family members, if any, shall cease upon the discontinuance of his employment or upon cessation of active full-time employment subject to such provision as may be made in any contract by his employer for limited continuance of coverage during disability, part-time employment, leave of absence or layoff, and for continuance of coverage after retirement."

Amend page 3, section 2, line 13, delete "The municipality, county, school district or agency thereof" and insert in lieu thereof "(A) Any employer entering into a contract pursuant to the provisions of section 1 of this act".

Amend page 3, section 2, line 18, delete “, pension”.

Amend page 3, section 2, line 20, after line 20 insert the following new subsection:

“(B) The continuance of coverage after retirement of any employee may be provided at such rates and under such conditions as shall be prescribed in the contract provided, however, that the retired employee shall be required to pay an amount not less than the total amount which would have been required to have been paid by him and his employer for the coverage maintained had he continued in employment. The contribution required of any retired employee toward the cost of such coverage may be paid by him to his former employer or in such other manner as the employer shall direct.”

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Amend page 3, section 2, line 23, after line 23 insert the following new sections:

“3. It shall be the duty of the executive officer of any employer who hereafter enters into a contract pursuant to the provisions of this act to file a copy thereof with the State Health Benefits Commission. The commission shall prepare and file periodically and not less than every 2 years, a report to the Governor and the Legislature as to the contracts being entered into by employers under the provisions of this act and shall make such recommendations concerning such contracts and the coverage thereunder as it deems appropriate to achieve uniformity of coverage and benefits for employees throughout the State.

“4. (A) Any contract heretofore executed between an employer and an authorized insurer which would be valid under the provisions of this act is hereby validated and confirmed notwithstanding that such a contract may not have been

authorized or properly entered into under the provisions of the act of which this act is amendatory and supplementary.

“(B) Any contract heretofore executed between an employer and an authorized insurer which would be valid under the provisions of this act except for the provisions of section 2(B) hereof, requiring the payment of premiums by retired employees, is hereby validated and confirmed but such contracts shall not be renewed or extended unless they are amended or modified to be in accord with the provisions of this act.

“(C) It shall not be a defense to the payment or satisfaction of any claim for benefits under any contract or policy validated and confirmed by the provisions of this act that such contract or policy was ultra vires, improperly entered into or otherwise not authorized by law.”

Amend page 3, section 3, line 1, delete “3.” and insert in lieu thereof “5.”

CHAPTER 259 LAWS OF N. J. 1964
APPROVED 12-30-64
[SECOND OFFICIAL COPY REPRINT]

SENATE, No. 276

STATE OF NEW JERSEY

INTRODUCED MARCH 23, 1964

By Senators SARCONE and KELLY

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6 have or shall have formed themselves into groups for the purpose of obtain-
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16 petitions and authorizations, and the payment of them to the designated
17 fiscal agent of the group. Nothing herein contained shall be deemed to au-
18 thorize coverage of dependents of an employee under a group life insurance
19 policy or to allow the issuance of a group life insurance policy on which the
20 entire premium is to be derived from funds contributed by the insured
21 employees.]

22 **[A]** ***(A) Any** municipality, county, school district, or agency*
23 *thereof***, herein referred to as employers,** may enter into contracts of group
24 life, accidental death and dismemberment, health, hospitalization, medical,
25 surgical, or accident insurance with any insurance company or companies
26 authorized to do business in this State or may contract with a nonprofit
27 hospital service or medical service corporation. Such contract or contracts
28 shall provide any one or more of such coverages for any class or classes of
29 the employees of such ***[municipality, county, school district, or agency*
30 *thereof]*** ***employer*** and may include any class or classes of their de-
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35 insured employees. The term "employees" as used herein shall be deemed to
36 include ***[retired employees and]*** elected or appointed officials.

37 ***(B) The coverage of any employee, and of his dependents or family*
38 *members, if any, shall cease upon the discontinuance of his employment or*
39 *upon cessation of active full-time employment subject to such provision as*
40 *may be made in any contract by his employer for limited continuance of*
41 *coverage during disability, part-time employment, leave of absence or layoff,*
42 *and for continuance of coverage after retirement.***

1 2. Section 2 of the act of which this act is amendatory is amended to
2 read as follows:

3 2. [Whenever a group has or shall have been established in accordance
4 with the provisions of section 1 of this act, the governing body of the county,
5 municipality, school district, or agency thereof in which the group or groups
6 are formed, may pay, as additional compensation to the individual members
7 of the group or groups, a part or all of the premium on the group policy or
8 policies covering themselves, or themselves and their husbands or wives and
9 dependent children under 19 years of age. Nothing herein contained shall be
10 construed as compelling the governing body of any county, municipality,
11 school district, or agency thereof to pay any portion of the premium on such
12 group or groups.]

13 **[The municipality, county, school district or agency thereof]** ****(A)**
14 *Any employer entering into a contract pursuant to the provisions of section*
15 *1 of this act** is hereby authorized to pay part or all of the premiums or*
16 *charges for such contracts and may appropriate out of its general funds*
17 *any money necessary to pay such premiums or charges or portions thereof.*
18 *The contribution required of any employee toward the cost of such coverage*
19 *may be deducted from the pay, salary **[, pension]** or other compensa-*
20 *tion of such employee upon an authorization in writing made *to the appro-*
21 *priate disbursing officer* *[pursuant to chapter 7 of the laws of 1946 as*
22 *amended]*.*

23 ****(B)** *The continuance of coverage after retirement of any employee*
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28 *maintained had he continued in employment. The contribution required of*
29 *any retired employee toward the cost of such coverage may be paid by him*
30 *to his former employer or in such other manner as the employer shall di-*
31 *rect.***

32 ****(C)**** *Nothing herein shall be construed as compelling **[the gov-*
33 *erning body of any municipality, county, school district, or agency thereof]***

34 ***an employer** to pay any portion of the premiums or charges **[on such*
35 *group or groups]**** attributable to such contracts**.*

1 ***3. It shall be the duty of the executive officer of any employer who*
2 *hereafter enters into a contract pursuant to the provisions of this act to file*
3 *a copy thereof with the State Health Benefits Commission. The commission*
4 *shall prepare and file periodically and not less than every 2 years, a report*
5 *to the Governor and the Legislature as to the contracts being entered into*
6 *by employers under the provisions of this act and shall make such recom-*
7 *mendations concerning such contracts and the coverage thereunder as it deems*
8 *appropriate to achieve uniformity of coverage and benefits for employees*
9 *throughout the State.*

1 *4. (A) Any contract heretofore executed between an employer and an*
2 *authorized insurer which would be valid under the provisions of this act is*
3 *hereby validated and confirmed notwithstanding that such a contract may not*
4 *have been authorized or properly entered into under the provisions of the*
5 *act of which this act is amendatory and supplementary.*

6 *(B) Any contract heretofore executed between an employer and an au-*
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8 *for the provisions of section 2 (B) hereof, requiring the payment of pre-*
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11 *to be in accord with the provisions of this act.*

12 *(C) It shall not be a defense to the payment or satisfaction of any claim*
13 *for benefits under any contract or policy validated and confirmed by the pro-*
14 *visions of this act that such contract or policy was ultra vires, improperly*
15 *entered into or otherwise not authorized by law.***

1 ***[3.]** **5.** This act shall take effect immediately.*