LEGISLATIVE HISTORY CHECKLIST
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NJSA: 43:15A-24

(PERS--increase funding for pension adjustments & health benefits)

LAWS OF: 1990 CHAPTER: 6

Bill No: S665

Sponsor(s): Weiss

Date Introduced: Pre-filed

Committee: Assembly: -----

Senate: Revenue, Finance & Appropriations

Amended during passage: No

Date of Passage: Assembly: March 1, 1990

Senate: February 15, 1990

Date of Approval: March 8, 1990

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: No

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

(over)

New Jersey. State Pension Study Commission.
Report...March 15, 1984.

SENATE, No. 665

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1990 SESSION

By Senator WEISS

AN ACT concerning pension adjustment benefits and health care benefits for members and beneficiaries of the Public Employees' Retirement System, amending and supplementing P.L.1954, c.84 and supplementing P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read as follows:

24. The contingent reserve fund shall be the fund in which shall be credited contributions made by the State ~~and other~~ employers.

a. Upon the basis of such tables recommended by the actuary as the board adopts, and regular interest, the actuary shall compute annually the amount of contribution, expressed as a proportion of the compensation paid to all members, which, if paid monthly during the entire prospective service of the members, will be sufficient to provide for the pension reserves required at the time of discontinuance of active service, to cover all pensions to which they may be entitled or which are payable on their account and to provide for the amount of the death and accidental disability benefits payable on their account, and which amount is not covered by other contributions, to be made as provided in this section and the funds in hand available for such benefits. This shall be known as the "normal contribution."

b. Upon the basis of such tables recommended by the actuary as the board adopts, and regular interest, the actuary shall compute the amount of the unfunded liability as of [June 30, 1971] March 31, 1988 which has accrued on the basis of service rendered prior to [July 1, 1971] April 1, 1988 by all members, including the amount of the liability accrued by reason of allowance to be granted on account of services rendered by State employee veteran members as provided in section 60 of this act prior to the establishment of the retirement system, which has not already been covered by State contributions to the former "State Employees' Retirement System," and including the accrued liabilities established by section 12 of chapter 67 of the

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.

laws of 1966 (C.43:15A-37.1). Using the total amount of this unfunded accrued liability, he shall compute the amount of the [flat] annual payment, which, if paid in each succeeding fiscal year commencing with [July 1, 1972] July 1, 1989, for a period [of] which the State Treasurer shall determine upon the advice of the Director of the Division of Pensions, but not exceeding 40 years, will provide for this liability. The annual payment so computed and certified shall [remain fixed except that such liability shall] be valued annually and any additional liability which has accrued by reason of allowances to be granted on account of services rendered by State employee veteran members as provided in section 60 shall be added to the amount previously certified so that the entire liability shall be paid within the [40-year period commencing July 1, 1972] the period determined by the State Treasurer, but not exceeding 40 years. This shall be known as the "accrued liability contribution."

c. The retirement system shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined. The death benefits, payable as a result of contribution by the State under the provisions of this chapter upon the death of an active or retired member shall be paid from the contingent reserve fund.

d. The disbursements for benefits not covered by reserves in the system on account of veterans shall be met by direct contributions of the State and other employers.

(cf: P.L.1971, c.213, s.9)

2. (New Section) Pension adjustment benefits for members and beneficiaries of the Public Employees' Retirement System provided by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) and premiums or periodic charges which the State is required to pay for benefits provided to retired State employees and their dependents under the New Jersey State Health Benefits Program Act, P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be paid by the retirement system and shall be funded as employer obligations in a similar manner to that provided for the funding of employer obligations for the retirement benefits provided by the retirement system, as determined by the State Treasurer upon the advice of the Director of the Division of Pensions. The liability for pension adjustment benefits and for premiums or periodic charges for health care benefits for retired State employees and their dependents shall be included as a liability of the retirement system as of April 1, 1988.

3. (New Section) Notwithstanding the provisions of the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), pension adjustment benefits provided under that act for members

and beneficiaries of the Public Employees' Retirement System shall be paid by the retirement system.

4. This act shall take effect immediately.

STATEMENT

The bill provides for adequate reserve funding for pension adjustment benefits for all members of the Public Employees' Retirement System and for benefits under the State Health Benefits Program for retirees and their dependents for which the State is required to pay the premiums. At present, these benefits are paid for on a current basis by the State and other employers. The liability for these benefits for active and retired members is growing rapidly. If steps are not taken soon to recognize and provide reserve funding for this liability, a severe fiscal crisis could develop in the future requiring payment of these benefits out of the current operating budgets of the State and local employers. Reserve funding of these liabilities can also provide savings through investment earnings.

The bill provides that pension adjustment benefits for all PERS members and beneficiaries, and post-retirement health care benefits for qualified, retired State employees and their dependents shall be paid by the retirement system. The liability for pension adjustment benefits will be funded as employer obligations of the State and local employers participating in the retirement system. The post-retirement health care benefits for State employees will be an employer obligation of the State. Funding for post-retirement health care benefits is limited to the State because not all local employers participating in PERS pay for post-retirement health care benefits under SHBP. Furthermore, participation in SHBP and payment for post retirement health care benefits is optional for local employers.

PUBLIC EMPLOYEE BENEFITS

Provides for adequate reserve funding for pension adjustment and health benefits for members of PERS.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 665

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 1990

The Senate Revenue, Finance and Appropriations Committee favorably reports Senate Bill No. 665.

Senate Bill No. 665 provides for the refinancing of the accrued liability costs of the Public Employees' Retirement System (PERS) and for the recognition of the cost-of-living adjustment (COLA) payments as a liability of the PERS system. In addition, the bill provides that post-retirement health care benefits for qualified, retired State employees and their dependents shall be paid by the retirement system.

The bill provides that the previous 40 year amortization period for the unfunded accrued liability of the system shall be terminated and establishes a new amortization period to begin as of July 1, 1989. The amortization period is to be determined by the State Treasurer with the advice of the Director of the Division of Pensions and shall not exceed a 40 year period. The bill also eliminates the current "pay-as-you-go" system for making COLA payments. Instead, the bill provides that the COLA payments would be recognized as a liability of the system in the same manner as other retirement benefits are now liabilities. Furthermore, the bill provides that post-retirement health care costs for qualified State employees shall be recognized as a liability of the system. The recognition of these COLA and post-retirement health care payments as liabilities will be phased in over a period not to exceed 25 years.

FISCAL IMPACT:

The liability for pension adjustment benefits will be funded as employer obligations of the State and local government employers participating in the retirement system. The post-retirement health care benefits for State employees will be an employer obligation of the State. Funding for post-retirement health care benefits is limited to the State because not all local government employers participating in PERS pay for post-retirement health care benefits under the State Health Benefits Plan (SHBP). Participation in SHBP and payment for post-retirement health care benefits are paid for on a current basis by the State and other employers. Adequate reserve funding of these benefits will help to keep the costs from increasing too rapidly.

The Division of Pensions has provided information concerning the costs of annual employer contributions over the next 40 years under the present funding system and under the proposed funding system for both the State and local governments. If the proposed refinancing system is enacted, both employers (all local governments considered in aggregate) would experience a decrease in annual contributions required to fund the system in the first 6-7 years. Then, for a period of about 24 years, the annual contributions under the proposed system would be higher than under the present system. During the final 9-10 years of the new amortization period, both employers again would experience decreased annual contributions under the proposed system.