

43: 8B-1

10/22/87

LEGISLATIVE HISTORY CHECKLIST

NJSA: 43:8B-1

(General non-contributory pension act-- benefits-- revise formula)

CHAPTER 117

Laws Of: 1987

Bill No: S625

Sponsor(s): Dumont

Date Introduced: Pre-filed

Committee: Assembly: -----

Senate: County and Municipal Government

Amended during passage: Yes Substituted for A2305 (not attached since identical to S625). Amendments during passage denoted by asterisks.

Date of Passage: Assembly: February 19, 1987

Senate: February 2, 1987

Date of Approval: May 7, 1987

Following statements are attached if available:

Sponsor statement: Yes See: Assembly amendments adopted 2-5-87 (with statement)-- attached

Committee statement: Assembly No

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

NOT RECORDED

117 87  
5-7-87

[OFFICIAL COPY REPRINT]

**SENATE, No. 625**

**STATE OF NEW JERSEY**

PRE-FILED FOR INTRODUCTION IN THE 1986 SESSION

By Senator DUMONT

AN ACT concerning certain noncontributory pensions, amending P. L. 1955, c. 263 and supplementing P. L. 1976, c. 68 (C. 40A:4-45.1 et seq.).

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

1 1. Section 1 of P. L. 1955, c. 263 (C. 43:8B-1) is amended to read  
2 as follows:

3 1. As used in this act:

4 (a) "Employee" means any person holding office, position, or  
5 employment in any county, municipality, or school district in the  
6 State.

7 (b) "Employer" means any county, municipality, or school  
8 district in the State.

9 (c) "Final average salary" means the average base compensation  
10 paid by the employer to the employee for the **[5]** *three* years of his  
11 employment preceding his retirement.

12 (d) "Permanent and total disability." An employee is deemed to  
13 be permanently and totally disabled when it appears not only that  
14 he is physically or otherwise incapacitated for service, but that  
15 such incapacity will, in all reasonable probability, continue perma-  
16 nently. If an employee claims that such disability exists, the  
17 employer shall appoint a physician of skill and repute in his profes-  
18 sion and resident of this State, who shall examine the employee.  
19 The physician shall make a report of the employee's physical condi-  
20 tion or other disability, and if a disability exists, whether in all  
21 reasonable probability it will continue permanently, and does and

**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 printed in italics thus is new matter*

**Matter enclosed in asterisks or stars has been adopted as follows:**

**\*—Assembly amendments adopted February 5, 1987.**

22 will continue to prevent the employee from giving service to his  
 23 employer in the performance of his duties. Any person who is  
 24 retired for permanent and total disability hereunder, and who is  
 25 under the age of 65 years, shall undergo an annual medical exam-  
 26 ination by a physician or physicians designated by the county,  
 27 municipality or school district paying pension benefits based upon  
 28 disability to such person. If upon examination it is determined  
 29 that such disability no longer exists, the benefits payable hereunder  
 30 for disability shall cease. If a person receiving pension benefits  
 31 based upon disability refuses to submit to examination, the county,  
 32 municipality or school district paying such benefits shall discontinue  
 33 same until such person submits to physical examination.

34 (e) The Social Security system shall not be deemed a retirement  
 35 system for the purposes of determining eligibility to a pension  
 36 under this act.

1 \***2.** Section 5 of P. L. 1955, c. 263 (C. 43:8B-5) is amended to  
 2 read as follows:

3 5. The amount of pension granted under this act shall be fixed  
 4 by the employer according to uniform percentages of final average  
 5 salary applicable generally to all employees of such employer  
 6 subject to the provisions of this act, which percentages shall be  
 7 adopted by resolution, but which shall not exceed an amount which,  
 8 when added to the Social Security Old Age Insurance benefit for  
 9 which the employee is or could be eligible, will produce a **[total]**  
 10 retirement allowance equal to:

11 (a) 30% of his final average salary if he has been employed by  
 12 the employer for less than 20 years; or

13 (b) 50% of his final average salary if he has been employed by  
 14 the employer for 20 years or more; provided, however, that in the  
 15 case of an employee having 35 or more years of public employment  
 16 and being age 65, or having 40 or more years of public employment,  
 17 the **[total]** retirement allowance shall not be less than 25% of his  
 18 final average salary.

19 The amount of the pension, once established, shall not thereafter  
 20 be reduced because of an increase in the amount of the employee's  
 21 Social Security benefit.

22 No employee shall be eligible for pension benefits based upon dis-  
 23 ability hereunder unless he shall have at least five years of employ-  
 24 ment continuously, or in the aggregate, with the employer. No em-  
 25 ployee shall be eligible for pension benefits other than benefits  
 26 based upon disability hereunder unless he shall have at least 15  
 27 years of employment continuously, or in the aggregate, with the  
 28 employer.]\*

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1 \***[3.** (New section) Any additional expenditures required to be  
2 made by a county or municipality pursuant to the provisions of  
3 section 5 of P. L. 1955, c. 263 (C. 43:8B-5) as amended by P. L.  
4 . . . . ., c. . . . (now pending before the Legislature as this bill)  
5 shall, for the purpose of P. L. 1976, c. 68 (C. 40A:4-45.1 et seq.), be  
6 considered an expenditure mandated by State law.]\*

1 \***[4.]** \*2.\* This act shall take effect immediately.

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Bases maximum pension under "General Noncontributory Pension  
Act" on average salary during final three years' employment.

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1 3. (New section) Any additional expenditures required to be  
 2 made by a county or municipality pursuant to the provisions of  
 3 section 5 of P. L. 1955, c. 263 (C. 43:8B-5) as amended by P. L.  
 4 . . . . ., c. . . . (now pending before the Legislature as this bill)  
 5 shall, for the purpose of P. L. 1976, c. 68 (C. 40A:4-45.1 et seq.), be  
 6 considered an expenditure mandated by State law.

1 4. This act shall take effect immediately.

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STATEMENT

The "General Noncontributory Pension Act" currently provides that the amount of the pension under that act shall be fixed by the employer according to uniform percentages of final average salary, applicable to all employees of such employer, but which shall not exceed an amount which, when added to the Social Security Old Age Insurance benefit for which the employee is or could be eligible, will produce a total retirement allowance equal to:

(a) 30% of his final average salary if he has been employed by the employer for less than 20 years; or

(b) 50% of his final average salary if he has been employed by the employer for 20 years or more; provided, however, that in the case of an employee having 35 or more years of public employment and being age 65, or having 40 or more years of public employment, the total retirement allowance shall not be less than 25% of his final average salary. This bill eliminates the "Social Security Old Age Insurance offset" in that section.

In addition, this bill amends the definition of "final average salary" so that it will be based on the three years of employment preceding retirement instead of five as is currently provided.

56251 (751)

SENATE COUNTY AND MUNICIPAL GOVERNMENT  
COMMITTEE

STATEMENT TO  
**SENATE, No. 625**

**STATE OF NEW JERSEY**

DATED: OCTOBER 6, 1986

The Senate County and Municipal Government Committee reports favorably Senate Bill No. 625.

Senate Bill No. 625 amends the way in which pension amounts are calculated for local employees receiving pensions under the "General Noncontributory Pension Act," P. L. 1955, c. 263 (C. 43:8B-1 et seq.).

The provisions of P. L. 1955, c. 263 establish a pension program for county, municipal or school districts employees who do not meet the criteria of other pension programs. This bill amends the method used to calculate the pensions for those persons in two ways:

1. The person's final average salary would be based on the average compensation an employee received in the three years preceding retirement instead of the preceding five years; and

2. Any Social Security Old Age Insurance benefit received would not be included in determining the total pension permitted. Currently, section 5 of P. L. 1955 c. 263 (C. 43:8B-5) establishes a calculation by which the amount of the pension is determined. Part of the calculation includes any Social Security Old Age Insurance benefit received. This bill would delete that provision.

Finally, the bill provides a cap exception for counties and municipalities which incur additional expenditures as a result of the bill.

02/04/87/dm  
02/06/87/bk

SG0044  
S. 0000

*This amendment was added  
relative to A-2305 OCR  
w/ Assembly amendment  
adopted 2/5/87.*

ADOPTED

FEB 5 1987

ASSEMBLY Amendments  
Proposed by Assemblyman Littell.

to

SENATE Bill No. 625 ✓  
Sponsored by Senator Dumont

Amend:

Page	Sec.	Line	
2	2	1-28	Omit in their entirety
3	3	1-6	Omit
3	4	1	Omit "4." insert "2."

CHANGE SYNOPSIS AS FOLLOWS:

Bases maximum pension under "General Noncon-  
tributory Pension Act" on average salary during final three  
years' employment.

NOTE TO PRINTER

2	1	34	Correct "Securty" to "Security"
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STATEMENT

This bill presently provides for the exemption from the  
local government "cap" law of any increased expenditures  
resulting from <sup>P.L. 1986, c. 122.</sup> ~~this bill~~. These amendments delete that  
exemption.

The amendments also delete from the bill a section  
which repeals a provision requiring recognition of Social  
Security Old Age benefits in calculating the maximum  
allowable pension benefit under the Consolidated Police  
and Firemen's Pension Fund; such a repeal has already  
been accomplished by the enactment of P.L. 1986, c. 122.