

LEGISLATIVE HISTORY CHECKLIST

NJSA: 43:15A-41 et al

(PERS-- certain members-- eliminate reduction in death benefits)

CHAPTER 1

Laws Of: 1987

Bill No: S2203/S2103

Sponsor(s): Pallone and Van Wagner

Date Introduced: May 19, 1986

Committee: Assembly: State Government

Senate: State Government, Federal & Interstate Relations & Veterans' Affairs

Senate committee substitute (2nd OCR) enacted.

Amended during passage: Yes according to Governor's recommendations

Amendments denoted by asterisks.

Date of Passage:

Assembly:

October 2, 1986 Re-enacted 1-8-87

Senate:

July 31, 1986 Re-enacted 12-18-86

Date of Approval: January 15, 1987

Following statements are attached if available:

Sponsor statement:

Yes

Committee statement:

Assembly

Yes

Senate

Yes

Fiscal Note:

No

Veto Message:

Yes

Message on Signing:

No

Following were printed:

Reports:

No

Hearings:

No

1-15-87

[SECOND OFFICIAL COPY REPRINT]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 2203 and 2103

STATE OF NEW JERSEY

ADOPTED JUNE 16, 1986

Sponsored by Senators PALLONE and LASKIN

AN ACT concerning death benefits for members of the Public Employees' Retirement System and amending P. L. 1954, c. 84
**and P. L. 1955, c. 214*.*

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

1 1. Section 41 of P. L. 1954, c. 84 (C. 43:15A-41) is amended to
2 read as follows:

3 41. a. A member who withdraws from service or ceases to be an
4 employee for any cause other than death or retirement shall, upon
5 the filing of an application therefor, receive all of his accumu-
6 lated deductions standing to the credit of his individual account in
7 the annuity savings fund, plus regular interest, less any outstanding
8 loan, except that for any period after June 30, 1944, the interest
9 payable shall be such proportion of the interest determined at the
10 regular rate of 2% per annum bears to the regular rate of interest,
11 and except that no interest shall be payable in the case of a member
12 who has less than three years of membership credit for which he has
13 made contributions. He shall cease to be a member two years from
14 the date he discontinued service as an eligible employee, or, if prior
15 thereto, upon payment to him of his accumulated deductions. If any
16 such person or member shall die before withdrawing or before
17 endorsing the check constituting the return of his accumulated
18 deductions, such deductions shall be paid to the member's bene-
19 ficiary. No member shall be entitled to withdraw the amounts
20 contributed by his employer covering his military leave unless he
21 shall have returned to the payroll and contributed to the retirement
22 system for a period of 90 days.

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 committee amendments adopted September 18, 1986.
**—Senate amendments adopted in accordance with Governor's recommen-
dations December 15, 1986.

23 b. Should a member resign after having established 25 years of
24 creditable service before reaching age 60, he may elect "early
25 retirement," provided, that such election is communicated by such
26 member to the retirement system by filing a written application,
27 duly attested, stating at what time subsequent to the execution and
28 filing thereof he desires to be retired. He shall receive, in lieu
29 of the payment provided in subsection a. of this section, an annuity
30 which is the actuarial equivalent of his accumulated deductions
31 together with regular interest, and a pension in the amount which,
32 when added to the member's annuity, will provide a total retirement
33 allowance of one-seventieth of his final compensation for each year
34 of service credited as Class A service and one-sixtieth of his final
35 compensation for each year of service credited as Class B service,
36 calculated in accordance with section 48 (C. 43:15A-48) of this act,
37 reduced by $\frac{1}{4}$ of 1% for each month that the member lacks of being
38 age 55; provided, however, that upon the receipt of proper proofs
39 of the death of such a member there shall be paid to his beneficiary
40 an amount equal to three-sixteenths of the compensation upon which
41 contributions by the member to the annuity savings fund were based
42 in the last year of creditable service.

43 The board of trustees shall retire him at the time specified or at
44 such other time within one month after the date so specified as the
45 board finds advisable.

46 c. Upon the receipt of proper proofs of the death of a member in
47 service on account of which no accidental death benefit is payable
48 under section 49 there shall be paid to such member's beneficiary:

49 (1) The member's accumulated deductions at the time of death
50 together with regular interest; and

51 (2) An amount equal to one and one-half times the compensation
52 upon which contributions by the member to the annuity savings
53 fund were based in the last year of creditable service; provided,
54 however, that if such death shall occur after the member shall have
55 attained age 70, the amount payable shall equal three-sixteenths of
56 such compensation instead of one and one-half times such compen-
57 sation. In the case of a member who is elected to a term of office
58 before attaining age 70 and who shall die during said term but after
59 having attained age 70, or a member who, after attaining age 70,
60 is reelected to, and renders continuous service in, an elected office
61 which he held upon attaining age 70 and who shall die during such
62 term as reelected, the beneficiary shall receive an amount equal
63 to one and one-half times the compensation upon which contri-
64 butions by the member to the annuity savings fund were based in
65 the last year of creditable service. In all other instances where a

66 member dies while serving in elected office after attaining age 70,
67 the amount payable shall equal three-sixteenths of such compen-
68 sation instead of one and one-half times such compensation].

1 2. Section 49 of P. L. 1954, c. 84 (C. 43:15A-49) is amended to
2 read as follows:

3 49 a. Upon the death of a member in active service as a result
4 of an accident met in the actual performance of duty at some definite
5 time and place and not as the result of his willful negligence, an
6 accidental death benefit shall be payable, if a report of the accident
7 is filed in the office of the retirement system within 60 days next
8 following the accident, but the board of trustees may waive such
9 time limit, for a reasonable period, if in the judgment of the board
10 the circumstances warrant such action.

11 No such application shall be valid or acted upon unless it is filed
12 in the office of the retirement system within five years of the date
13 of such death.

14 b. Upon the receipt of proper proofs of the death of a member
15 on account of which an accidental death benefit is payable, there
16 shall be paid to his widow or widower a pension of 50% of the
17 compensation, upon which contributions by the member to the an-
18 nuity savings fund were based in the last year of creditable service,
19 for the use of herself or himself and the children of the deceased
20 member, to continue during her or his widowhood; if there is no
21 surviving widow or widower or in case the widow or widower dies
22 or remarries, 20% of such compensation will be payable to one
23 surviving child, 35% of such compensation to two surviving chil-
24 dren in equal shares and if there be three or more children, 50%
25 of such compensation will be payable to such children in equal
26 shares. If there is no surviving widow, widower or child, 25% of
27 the compensation upon which contributions by the member to the
28 annuity savings fund were based in the last year of creditable ser-
29 vice, will be payable to one surviving parent or 40% of such com-
30 pensation will be payable to two surviving parents in equal shares.
31 In the event of accidental death occurring in the first year of cred-
32 itable service, the benefits, payable pursuant to this subsection, shall
33 be computed at the annual rate of compensation.

34 c. If there is no surviving widow, widower, child or parent, there
35 shall be paid to any other beneficiary of the deceased member his
36 accumulated deductions at the time of death.

37 d. In no case shall the death benefit provided in subsection b.
38 be less than that provided under subsection c.

39 e. In addition to the foregoing benefits payable under subsection
40 b. or c., there shall also be paid in one sum to such member's

41 beneficiary an amount equal to one and one-half times the com-
 42 pensation upon which contributions by the member to the annuity
 43 savings fund were based in the last year of creditable service];
 44 provided, however, that if such death shall occur after the member
 45 shall have attained age 70, the amount payable shall equal
 46 three-sixteenths of such compensation instead of one and one-half
 47 times such compensation. In the case of a member who is elected
 48 to a term of office before attaining age 70 and who shall die during
 49 said term but after having attained age 70, or a member who,
 50 after attaining age 70, is reelected to, and renders continuous
 51 service in, an elected office which he held upon attaining age 70 and
 52 who shall die during such term as reelected, the beneficiary shall
 53 receive an amount equal to one and one-half times the compensation
 54 upon which contributions by the member to the annuity savings
 55 fund were based in the last year of creditable service. In all other
 56 instances where a member dies while serving in elected office after
 57 attaining age 70, the amount payable shall equal three-sixteenths
 58 of such compensation instead of one and one-half times such com-
 59 pensation].

1 3. Section 57 of P. L. 1954, c. 84 (C. 43:15A-57) is amended to
 2 read as follows:

3 57. a. Each member who is a member on December 1, 1956 and
 4 each person who thereafter becomes a member prior to the effec-
 5 tive date of this amendatory act, will be eligible to purchase the
 6 additional death benefit coverage hereinafter described, provided
 7 he selects such coverage within one year after December 1, 1956 or
 8 after the effective date of membership, whichever date is later,
 9 or makes an election pursuant to subsection b. of this section.

10 b. Each member who, on the effective date of this amendatory
 11 act, shall not have elected such additional death benefit coverage
 12 or who had elected coverage, but for whom there is not in effect
 13 such additional death benefit coverage shall also be eligible to elect
 14 such additional death benefit coverage, provided he furnishes satis-
 15 factory evidence of insurability and on the date of such election
 16 is actively at work and performing all his regular duties at his
 17 customary place of employment. Applications under this subsec-
 18 tion shall be filed within one year following the effective date of this
 19 amendatory act.

20 c. Each person becoming a member on or after the effective date
 21 of this amendatory act who on the date he becomes a member is
 22 less than 60 years of age shall automatically be covered for such
 23 additional death benefit coverage from the first day of his mem-
 24 bership on which he is actively at work and performing all his

25 regular duties at his customary place of employment. Such auto-
26 matic coverage shall continue during the member's first year of
27 membership and during such year he shall make contributions
28 as fixed by the board of trustees. Additional death benefit coverage
29 for such member shall continue in effect after the first year of
30 membership on the continuance of payment of the required con-
31 tributions therefor.

32 d. Each person becoming a member on or after the effective
33 date of this amendatory act who on the date he becomes a member
34 is 60 or more years of age may, within one year from the date of
35 membership, elect to purchase such additional death benefit cover-
36 age, provided that the member furnishes satisfactory evidence of
37 insurability and on the date of such election is actively at work
38 and performing all his regular duties at his customary place of
39 employment.

40 e. Notwithstanding other provisions of this section relating to
41 the amount of death benefit any member who has acquired or shall
42 acquire additional death benefit coverage, the death benefit payable
43 in the event of death occurring on or after the effective date of
44 this amendatory act and during the first year of membership shall
45 be based upon the member's annual base salary. The effective
46 date of coverage of any person electing to purchase additional
47 death benefit coverage, pursuant to the provisions of subsections
48 "a.," "b." and "d." of this section shall be the first day of the
49 month immediately following the date of such election unless evi-
50 dence of insurability is required as a condition of such election in
51 which event the effective date of coverage shall be the first day
52 of the month which immediately follows the later of (a) the date
53 of such election and (b) the date such evidence is determined to
54 be satisfactory.

55 f. The board of trustees shall establish schedules of contribu-
56 tions to be made by the members who elect to purchase the addi-
57 tional death benefit coverage. Such contributions shall be so com-
58 puted that the contributions made by or on behalf of all covered
59 members in the aggregate shall be sufficient to provide for the cost
60 of the benefits established by this section. Such schedules of con-
61 tributions shall be subject to adjustment from time to time, by the
62 board of trustees, as the need may appear.

63 g. Upon the receipt of proper proofs of the death in service of
64 any such member while covered for the additional death benefit
65 coverage there shall be paid to such person, if living, as the mem-
66 ber shall have nominated by written designation duly executed
67 and filed with the board of trustees, otherwise to the executor or

68 administrator of the member's estate, an amount equal to one
69 and one-half times the compensation received by the member in
70 the last year of creditable service or some lesser amount as may
71 be provided by the board of trustees and elected to purchase by
72 the member█; provided, however, that if such death in service shall
73 occur on or after July 1, 1956, and after the member has attained
74 age 70, the amount payable shall equal three-sixteenths of the
75 compensation received by the member in the last year of credit-
76 able service. In the case of a member covered for the additional
77 death benefit who is elected to a term of office before attaining
78 age 70 and who shall die during said term but after having at-
79 tained age 70, or a member who, after attaining age 70, is reelected
80 to, and renders continuous service in, an elected office which he
81 held upon attaining age 70 and who shall die during such term as
82 reelected, the beneficiary or executor or administrator of the
83 member's estate, as the case may be, shall receive an amount equal
84 to one and one-half times the compensation received by the mem-
85 ber in the last year of creditable service or some lesser amount
86 as may be provided by the board of trustees and elected to be pur-
87 chased by the member. In all other instances where a member dies
88 while serving in elected office after attaining age 70, the amount
89 payable shall equal three-sixteenths of the compensation received
90 by the member in the last year of creditable service█.

91 h. The contributions of a member for the additional death bene-
92 fit coverage shall be deducted from his compensation, but if there
93 is no compensation from which such contributions may be de-
94 ducted it shall be the obligation of the member to make such
95 contributions directly to the board of trustees or as directed by
96 the board█; provided, however, that no contributions shall be re-
97 quired after June 30, 1956, while a member remains in service
98 after attaining age 70, but that his employer shall be required to
99 pay into the fund on his behalf in such case an amount equal to
100 the contribution otherwise required by the board of trustees in
101 accordance with this section█.

102 i. Any other provision of this act notwithstanding, the contri-
103 butions of a member for the additional death benefit coverage
104 under this section shall not be returnable to the member or his
105 beneficiary in any manner, or for any reason whatsoever, nor
106 shall any contributions made for the additional death benefit cov-
107 erage be included in any annuity payable to any such member or
108 to his beneficiary.

109 j. A member who has elected to purchase the additional death
110 benefit coverage provided by this section may file with the board

111 of trustees, and alter from time to time during his lifetime, as
 112 desired, a duly attested, written, new nomination of the payee of
 113 the death benefit provided under this section. Such member may
 114 also file and alter from time to time during his lifetime, as desired,
 115 a request with the board of trustees directing payment of said
 116 benefit in one sum or in equal annual installments over a period
 117 of years or as a life annuity. Upon the death of such member, a
 118 beneficiary to whom a benefit is payable in one sum may elect to
 119 receive the amount payable in equal annual installments over a
 120 period of years or as a life annuity.

121 k. All other provisions of this section notwithstanding, this sec-
 122 tion and the benefits provided under this section shall not come
 123 into effect until a required percentage of the members shall have
 124 applied for the additional death benefit coverage under this section.
 125 This required percentage shall be fixed by the board of trustees.
 126 Any such percentage may be made applicable to male members
 127 only or to other groupings as determined by the board of trustees
 128 of the Public Employees' Retirement System. Applications for
 129 such additional death benefit coverage shall be submitted to the
 130 secretary of the board of trustees in such manner and upon such
 131 forms as the board of trustees shall provide.

1 *4. Section 6 of P. L. 1955, c. 214 (C. 43:15A-93) is amended to
 2 read as follows:

3 6. Any such group policy or policies shall include, with respect to
 4 any insurance terminating *or reducing* because the member ceases
 5 to be eligible for participation under the Public Employees' Retire-
 6 ment System or because [of termination of service for reasons
 7 other than retirement] *the member **has ceased to be in service*
 8 *or** has retired*, the conversion privilege available upon termina-
 9 tion of employment as prescribed by the law relating to group life
 10 insurance; and shall also include, with respect to insurance termi-
 11 nating because of termination of the group policy resulting from a
 12 termination of the death benefits for all members established
 13 under sections 38, 41, 45, 46, 48 49 and 57 of [chapter 84 of the laws
 14 of 1954] *P. L. 1954, c. 84 (C. 43:15A-38, 43:15A-41, 43:15A-45,*
 15 *43:15A-46, 43:15A-48, 43:15A-49, 43:15A-57)*, the conversion
 16 privilege available upon termination of the group policy as pre-
 17 scribed by [such law] *the law relating to group life insurance.*
 18 Any such group policy or policies shall also provide that if a
 19 member dies during the 31-day period during which he would be
 20 entitled to exercise the conversion privilege, the amount of insur-
 21 ance with respect to which he could have exercised the conversion
 22 privilege shall be paid as a claim under the group policy. *When*

23 *benefits payable upon the death of a member following retirement*
 24 *are determined as though the member had not retired, the death*
 25 *benefits payable under the group policy, together with the amount*
 26 *of insurance paid under any individual policy obtained under the*
 27 *conversion privilege, shall in no event exceed the amount of*
 28 *insurance for which the member was insured under the group*
 29 *policy immediately prior to the date the right of conversion arose.*

30 If any member who has exercised the conversion privilege under
 31 the group policy or policies again becomes a member of the Public
 32 Employees' Retirement System, and the individual policy obtained
 33 pursuant to the conversion privilege is still in force, he shall not
 34 again be eligible for any of the death benefits provided by [chapter
 35 84 of the laws of 1954] *P. L. 1954, c. 84 (C. 43:15A-1 et seq.)* unless
 36 he furnishes satisfactory evidence of insurability.*

1 ***[4.]*** *5.* This act shall take effect immediately and *sections
 2 1 ****[and 2]**** **through 3, with the exception of subsection h. of
 3 section 3,** * shall be retroactive to October 1, 1985.

PENSIONS AND RETIREMENT—PERS, TPAF, OTHER
 Eliminates the reduction in noncontributory and contributory death
 benefits which applies to members of the PERS who remain in ser-
 vice after attaining the age of 70.

SENATE, No. 2203

STATE OF NEW JERSEY

INTRODUCED MAY 19, 1986

By Senators PALLONE and VAN WAGNER

Referred to Committee on State Government and Federal and
Interstate Relations and Veterans Affairs

AN ACT concerning death benefits for members of the Public Em-
ployees' Retirement System and amending P. L. 1954, c. 84.

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

1 1. Section 41 of P. L. 1954, c. 84 (C. 43:15A-41) is amended to
2 read as follows:

3 41. a. A member who withdraws from service or ceases to be an
4 employee for any cause other than death or retirement shall, upon
5 the filing of an application therefor, receive all of his accumu-
6 lated deductions standing to the credit of his individual account in
7 the annuity savings fund, plus regular interest, less any outstanding
8 loan, except that for any period after June 30, 1944, the interest
9 payable shall be such proportion of the interest determined at the
10 regular rate of 2% per annum bears to the regular rate of interest,
11 and except that no interest shall be payable in the case of a member
12 who has less than three years of membership credit for which he has
13 made contributions. He shall cease to be a member two years from
14 the date he discontinued service as an eligible employee, or, if prior
15 thereto, upon payment to him of his accumulated deductions. If any
16 such person or member shall die before withdrawing or before
17 endorsing the check constituting the return of his accumulated
18 deductions, such deductions shall be paid to the member's bene-
19 ficiary. No member shall be entitled to withdraw the amounts
20 contributed by his employer covering his military leave unless he
21 shall have returned to the payroll and contributed to the retirement
22 system for a period of 90 days.

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

23 b. Should a member resign after having established 25 years of
24 creditable service before reaching age 60, he may elect "early
25 retirement," provided, that such election is communicated by such
26 member to the retirement system by filing a written application,
27 duly attested, stating at what time subsequent to the execution and
28 filing thereof he desires to be retired. He shall receive, in lieu
29 of the payment provided in subsection a. of this section, an annuity
30 which is the actuarial equivalent of his accumulated deductions
31 together with regular interest, and a pension in the amount which,
32 when added to the member's annuity, will provide a total retirement
33 allowance of one-seventieth of his final compensation for each year
34 of service credited as Class A service and one-sixtieth of his final
35 compensation for each year of service credited as Class B service,
36 calculated in accordance with section 48 (C. 43:15A-48) of this act,
37 reduced by $\frac{1}{4}$ of 1% for each month that the member lacks of being
38 age 55; provided, however, that upon the receipt of proper proofs
39 of the death of such a member there shall be paid to his beneficiary
40 an amount equal to three-sixteenths of the compensation upon which
41 contributions by the member to the annuity savings fund were based
42 in the last year of creditable service.

43 The board of trustees shall retire him at the time specified or at
44 such other time within one month after the date so specified as the
45 board finds advisable.

46 c. Upon the receipt of proper proofs of the death of a member in
47 service on account of which no accidental death benefit is payable
48 under section 49 there shall be paid to such member's beneficiary:

49 (1) The member's accumulated deductions at the time of death
50 together with regular interest; and

51 (2) An amount equal to one and one-half times the compensation
52 upon which contributions by the member to the annuity savings
53 fund were based in the last year of creditable service; provided,
54 however, that if such death shall occur after the member shall have
55 attained age 70, the amount payable shall equal three-sixteenths of
56 such compensation instead of one and one-half times such compen-
57 sation. In the case of a member who is elected to a term of office
58 before attaining age 70 and who shall die during said term but after
59 having attained age 70, or a member who, after attaining age 70,
60 is reelected to, and renders continuous service in, an elected office
61 which he held upon attaining age 70 and who shall die during such
62 term as reelected, the beneficiary shall receive an amount equal
63 to one and one-half times the compensation upon which contri-
64 butions by the member to the annuity savings fund were based in
65 the last year of creditable service. In all other instances where a

66 member dies while serving in elected office after attaining age 70,
67 the amount payable shall equal three-sixteenths of such compen-
68 sation instead of one and one-half times such compensation].

1 2. Section 49 of P. L. 1954, c. 84 (C. 43:15A-49) is amended to
2 read as follows:

3 49. a. Upon the death of a member in active service as a result
4 of an accident met in the actual performance of duty at some definite
5 time and place and not as the result of his willful negligence, an
6 accidental death benefit shall be payable, if a report of the accident
7 is filed in the office of the retirement system within 60 days next
8 following the accident, but the board of trustees may waive such
9 time limit, for a reasonable period, if in the judgment of the board
10 the circumstances warrant such action.

11 No such application shall be valid or acted upon unless it is filed
12 in the office of the retirement system within five years of the date
13 of such death.

14 b. Upon the receipt of proper proofs of the death of a member
15 on account of which an accidental death benefit is payable, there
16 shall be paid to his widow or widower a pension of 50% of the
17 compensation, upon which contributions by the member to the an-
18 nuity savings fund were based in the last year of creditable service,
19 for the use of herself or himself and the children of the deceased
20 member, to continue during her or his widowhood; if there is no
21 surviving widow or widower or in case the widow or widower dies
22 or remarries, 20% of such compensation will be payable to one
23 surviving child, 35% of such compensation to two surviving chil-
24 dren in equal shares and if there be three or more children, 50%
25 of such compensation will be payable to such children in equal
26 shares. If there is no surviving widow, widower or child, 25% of
27 the compensation upon which contributions by the member to the
28 annuity savings fund were based in the last year of creditable ser-
29 vice, will be payable to one surviving parent or 40% of such com-
30 pensation will be payable to two surviving parents in equal shares.
31 In the event of accidental death occurring in the first year of cred-
32 itable service, the benefits, payable pursuant to this subsection, shall
33 be computed at the annual rate of compensation.

34 c. If there is no surviving widow, widower, child or parent, there
35 shall be paid to any other beneficiary of the deceased member his
36 accumulated deductions at the time of death.

37 d. In no case shall the death benefit provided in subsection b.
38 be less than that provided under subsection c.

39 e. In addition to the foregoing benefits payable under subsection
40 b. or c., there shall also be paid in one sum to such member's

41 beneficiary an amount equal to one and one-half times the com-
 42 pensation upon which contributions by the member to the annuity
 43 savings fund were based in the last year of creditable service];
 44 provided, however, that if such death shall occur after the member
 45 shall have attained age 70, the amount payable shall equal
 46 three-sixteenths of such compensation instead of one and one-half
 47 times such compensation. In the case of a member who is elected
 48 to a term of office before attaining age 70 and who shall die during
 49 said term but after having attained age 70, or a member who,
 50 after attaining age 70, is reelected to, and renders continuous
 51 service in, an elected office which he held upon attaining age 70 and
 52 who shall die during such term as reelected, the beneficiary shall
 53 receive an amount equal to one and one-half times the compensation
 54 upon which contributions by the member to the annuity savings
 55 fund were based in the last year of creditable service. In all other
 56 instances where a member dies while serving in elected office after
 57 attaining age 70, the amount payable shall equal three-sixteenths
 58 of such compensation instead of one and one-half times such com-
 59 pensation].

1 3. Section 57 of P. L. 1954, c. 84 (C. 43:15A-57) is amended to
 2 read as follows:

3 57. a. Each member who is a member on December 1, 1956 and
 4 each person who thereafter becomes a member prior to the effec-
 5 tive date of this amendatory act, will be eligible to purchase the
 6 additional death benefit coverage hereinafter described, provided
 7 he selects such coverage within one year after December 1, 1956 or
 8 after tthe effective date of membership, whichever date is later,
 9 or makes an election pursuant to subsection b. of this section.

10 b. Each member who, on the effective date of this amendatory
 11 act, shall not have elected such additional death benefit coverage
 12 or who had elected coverage, but for whom there is not in effect
 13 such additional death benefit coverage shall also be eligible to elect
 14 such additional death benefit coverage, provided he furnishes satis-
 15 factory evidence of insurability and on the date of such election
 16 is actively at work and performing all his regular duties at his
 17 customary place of employment. Applications under this subsec-
 18 tion shall be filed within one year following the effective date of
 19 this amendatory act.

20 c. Each person becoming a member on or after the effective date
 21 of this amendatory act who on the date he becomes a member is
 22 less than 60 years of age shall automatically be covered for such
 23 additional death benefit coverage from the first day of his mem-
 24 bership on which he is actively at work and performing all his

25 regular duties at his customary place of employment. Such auto-
26 matic coverage shall continue during the member's first year of
27 membership and during such year he shall make contributions
28 as fixed by the board of trustees. Additional death benefit coverage
29 for such member shall continue in effect after the first year of
30 membership on the continuance of payment of the required con-
31 tributions therefor.

32 d. Each person becoming a member on or after the effective
33 date of this amendatory act who on the date he becomes a member
34 is 60 or more years of age may, within one year from the date of
35 membership, elect to purchase such additional death benefit cover-
36 age, provided that the member furnishes satisfactory evidence of
37 insurability and on the date of such election is actively at work
38 and performing all his regular duties at his customary place of
39 employment.

40 e. Notwithstanding other provisions of this section relating to
41 the amount of death benefit any member who has acquired or shall
42 acquire additional death benefit coverage, the death benefit payable
43 in the event of death occurring on or after the effective date of
44 this amendatory act and during the first year of membership shall
45 be based upon the member's annual base salary. The effective
46 date of coverage of any person electing to purchase additional
47 death benefit coverage, pursuant to the provisions of subsections
48 "a.," "b." and "d." of this section shall be the first day of the
49 month immediately following the date of such election unless evi-
50 dence of insurability is required as a condition of such election in
51 which event the effective date of coverage shall be the first day
52 of the month which immediately follows the later of (a) the date
53 of such election and (b) the date such evidence is determined to
54 be satisfactory.

55 f. The board of trustees shall establish schedules of contribu-
56 tions to be made by the members who elect to purchase the addi-
57 tional death benefit coverage. Such contributions shall be so com-
58 puted that the contributions made by or on behalf of all covered
59 members in the aggregate shall be sufficient to provide for the cost
60 of the benefits established by this section. Such schedules of con-
61 tributions shall be subject to adjustment from time to time, by the
62 board of trustees, as the need may appear.

63 g. Upon the receipt of proper proofs of the death in service of
64 any such member while covered for the additional death benefit
65 coverage there shall be paid to such person, if living, as the mem-
66 ber shall have nominated by written designation duly executed
67 and filed with the board of trustees, otherwise to the executor or

68 administrator of the member's estate, an amount equal to one
69 and one-half times the compensation received by the member in
70 the last year of creditable service or some lesser amount as may
71 be provided by the board of trustees and elected to purchase by
72 the member]; provided, however, that if such death in service shall
73 occur on or after July 1, 1956, and after the member has attained
74 age 70, the amount payable shall equal three-sixteenths of the
75 compensation received by the member in the last year of credit-
76 able service. In the case of a member covered for the additional
77 death benefit who is elected to a term of office before attaining
78 age 70 and who shall die during said term but after having at-
79 tained age 70, or a member who, after attaining age 70, is reelected
80 to, and renders continuous service in, an elected office which he
81 held upon attaining age 70 and who shall die during such term as
82 reelected, the beneficiary or executor or administrator of the
83 member's estate, as the case may be, shall receive an amount equal
84 to one and one-half times the compensation received by the mem-
85 ber in the last year of creditable service or some lesser amount
86 as may be provided by the board of trustees and elected to be pur-
87 chased by the member. In all other instances where a member dies
88 while serving in elected office after attaining age 70, the amount
89 payable shall equal three-sixteenths of the compensation received
90 by the member in the last year of creditable service].

91 h. The contributions of a member for the additional death bene-
92 fit coverage shall be deducted from his compensation, but if there
93 is no compensation from which such contributions may be de-
94 ducted it shall be the obligation of the member to make such
95 contributions directly to the board of trustees or as directed by
96 the board]; provided, however, that no contributions shall be re-
97 quired after June 30, 1956, while a member remains in service
98 after attaining age 70, but that his employer shall be required to
99 pay into the fund on his behalf in such case an amount equal to
100 the contribution otherwise required by the board of trustees in
101 accordance with this section].

102 i. Any other provision of this act notwithstanding, the contri-
103 butions of a member for the additional death benefit coverage
104 under this section shall not be returnable to the member or his
105 beneficiary in any manner, or for any reason whatsoever, nor
106 shall any contributions made for the additional death benefit cov-
107 erage be included in any annuity payable to any such member or
108 to his beneficiary.

109 j. A member who has elected to purchase the additional death
110 benefit coverage provided by this section may file with the board

111 of trustees, and alter from time to time during his lifetime, as
 112 desired, a duly attested, written, new nomination of the payee of
 113 the death benefit provided under this section. Such member may
 114 also file and alter from time to time during his lifetime, as desired,
 115 a request with the board of trustees directing payment of said
 116 benefit in one sum or in equal annual installments over a period
 117 of years or as a life annuity. Upon the death of such member, a
 118 beneficiary to whom a benefit is payable in one sum may elect to
 119 receive the amount payable in equal annual installments over a
 120 period of years or as a life annuity.

121 k. All other provisions of this section notwithstanding, this sec-
 122 tion and the benefits provided under this section shall not come
 123 into effect until a required percentage of the members shall have
 124 applied for the additional death benefit coverage under this section.
 125 This required percentage shall be fixed by the board of trustees.
 126 Any such percentage may be made applicable to male members
 127 only or to other groupings as determined by the board of trustees
 128 of the Public Employees' Retirement System. Applications for
 129 such additional death benefit coverage shall be submitted to the
 130 secretary of the board of trustees in such manner and upon such
 131 forms as the board of trustees shall provide.

1 4. This act shall take effect immediately and shall be retroactive
 2 to October 1, 1985.

STATEMENT

This bill eliminates the reduction in death benefits which applies to members of the Public Employees' Retirement System who have attained the age of 70. Under current law, the noncontributory and contributory death benefits are each reduced from $1\frac{1}{2}$ times the compensation received in the last year of service to $\frac{3}{16}$ of that compensation when a member in service attains the age of 70. The bill also eliminates a provision which required an employer to pay the contribution for the reduced, contributory death benefit of a member who attained the age of 70.

As a result of the elimination of mandatory retirement by P. L. 1985, c. 73, members of the PERS are permitted to continue work beyond the age of 70. This bill will provide the members with the protection of full death benefits for their survivors as long as they remain in service.

The bill is retroactive to October 1, 1985.

PENSIONS AND RETIREMENT—PERS, TPAF, OTHER
Eliminates the reduction in noncontributory and contributory death benefits which applies to members of the PERS who remain in service after attaining the age of 70.

SENATE, No. 2103

STATE OF NEW JERSEY

INTRODUCED MAY 5, 1986

By Senators LASKIN, EWING, FORAN and HAINES

Referred to Committee on State Government and Federal and
Interstate Relations and Veterans Affairs

AN ACT concerning death benefits for members of the Public Em-
ployees' Retirement System and amending P. L. 1954, c. 84.

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

1 1. Section 41 of P. L. 1954, c. 84 (C. 43:15A-41) is amended to
2 read as follows:

3 41. a. A member who withdraws from service or ceases to be an
4 employee for any cause other than death or retirement shall, upon
5 the filing of an application therefor, receive all of his accumu-
6 lated deductions standing to the credit of his individual account in
7 the annuity savings fund, plus regular interest, less any outstanding
8 loan, except that for any period after June 30, 1944, the interest
9 payable shall be such proportion of the interest determined at the
10 regular rate of 2% per annum bears to the regular rate of interest,
11 and except that no interest shall be payable in the case of a member
12 who has less than three years of membership credit for which he has
13 made contributions. He shall cease to be a member two years from
14 the date he discontinued service as an eligible employee, or, if prior
15 thereto, upon payment to him of his accumulated deductions. If any
16 such person or member shall die before withdrawing or before
17 endorsing the check constituting the return of his accumulated
18 deductions, such deductions shall be paid to the member's bene-
19 ficiary. No member shall be entitled to withdraw the amounts
20 contributed by his employer covering his military leave unless he
21 shall have returned to the payroll and contributed to the retirement
22 system for a period of 90 days.

**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.

23 b. Should a member resign after having established 25 years of
24 creditable service before reaching age 60, he may elect "early
25 retirement," provided, that such election is communicated by such
26 member to the retirement system by filing a written application,
27 duly attested, stating at what time subsequent to the execution and
28 filing thereof he desires to be retired. He shall receive, in lieu
29 of the payment provided in subsection a. of this section, an annuity
30 which is the actuarial equivalent of his accumulated deductions
31 together with regular interest, and a pension in the amount which,
32 when added to the member's annuity, will provide a total retirement
33 allowance of one-seventieth of his final compensation for each year
34 of service credited as Class A service and one-sixtieth of his final
35 compensation for each year of service credited as Class B service,
36 calculated in accordance with section 48 (C. 43:15A-48) of this act,
37 reduced by $\frac{1}{4}$ of 1% for each month that the member lacks of being
38 age 55; provided, however, that upon the receipt of proper proofs
39 of the death of such a member there shall be paid to his beneficiary
40 an amount equal to three-sixteenths of the compensation upon which
41 contributions by the member to the annuity savings fund were based
42 in the last year of creditable service.

43 The board of trustees shall retire him at the time specified or at
44 such other time within one month after the date so specified as the
45 board finds advisable.

46 c. Upon the receipt of proper proofs of the death of a member in
47 service on account of which no accidental death benefit is payable
48 under section 49 there shall be paid to such member's beneficiary:

49 (1) The member's accumulated deductions at the time of death
50 together with regular interest; and

51 (2) An amount equal to one and one-half times the compensation
52 upon which contributions by the member to the annuity savings
53 fund were based in the last year of creditable service; provided,
54 however, that if such death shall occur after the member shall have
55 attained age 70, the amount payable shall equal three-sixteenths of
56 such compensation instead of one and one-half times such compen-
57 sation. In the case of a member who is elected to a term of office
58 before attaining age 70 and who shall die during said term but after
59 having attained age 70, or a member who, after attaining age 70,
60 is reelected to, and renders continuous service in, an elected office
61 which he held upon attaining age 70 and who shall die during such
62 term as reelected, the beneficiary shall receive an amount equal
63 to one and one-half times the compensation upon which contri-
64 butions by the member to the annuity savings fund were based in
65 the last year of creditable service. In all other instances where a

66 member dies while serving in elected office after attaining age 70,
67 the amount payable shall equal three-sixteenths of such compen-
68 sation instead of one and one-half times such compensation].

1 2. Section 49 of P. L. 1954, c. 84 (C. 43:15A-49) is amended to
2 read as follows:

3 49. a. Upon the death of a member in active service as a result
4 of an accident met in the actual performance of duty at some definite
5 time and place and not as the result of his willful negligence, an
6 accidental death benefit shall be payable, if a report of the accident
7 is filed in the office of the retirement system within 60 days next
8 following the accident, but the board of trustees may waive such
9 time limit, for a reasonable period, if in the judgment of the board
10 the circumstances warrant such action.

11 No such application shall be valid or acted upon unless it is filed
12 in the office of the retirement system within five years of the date
13 of such death.

14 b. Upon the receipt of proper proofs of the death of a member
15 on account of which an accidental death benefit is payable, there
16 shall be paid to his widow or widower a pension of 50% of the
17 compensation, upon which contributions by the member to the an-
18 nuity savings fund were based in the last year of creditable service,
19 for the use of herself or himself and the children of the deceased
20 member, to continue during her or his widowhood; if there is no
21 surviving widow or widower or in case the widow or widower dies
22 or remarries, 20% of such compensation will be payable to one
23 surviving child, 35% of such compensation to two surviving chil-
24 dren in equal shares and if there be three or more children, 50%
25 of such compensation will be payable to such children in equal
26 shares. If there is no surviving widow, widower or child, 25% of
27 the compensation upon which contributions by the member to the
28 annuity savings fund were based in the last year of creditable ser-
29 vice, will be payable to one surviving parent or 40% of such com-
30 pensation will be payable to two surviving parents in equal shares.
31 In the event of accidental death occurring in the first year of cred-
32 itable service, the benefits, payable pursuant to this subsection, shall
33 be computed at the annual rate of compensation.

34 c. If there is no surviving widow, widower, child or parent, there
35 shall be paid to any other beneficiary of the deceased member his
36 accumulated deductions at the time of death.

37 d. In no case shall the death benefit provided in subsection b.
38 be less than that provided under subsection c.

39 e. In addition to the foregoing benefits payable under subsection
40 b. or c., there shall also be paid in one sum to such member's

41 beneficiary an amount equal to one and one-half times the com-
 42 pensation upon which contributions by the member to the annuity
 43 savings fund were based in the last year of creditable service];
 44 provided, however, that if such death shall occur after the member
 45 shall have attained age 70, the amount payable shall equal
 46 three-sixteenths of such compensation instead of one and one-half
 47 times such compensation. In the case of a member who is elected
 48 to a term of office before attaining age 70 and who shall die during
 49 said term but after having attained age 70, or a member who,
 50 after attaining age 70, is reelected to, and renders continuous
 51 service in, an elected office which he held upon attaining age 70 and
 52 who shall die during such term as reelected, the beneficiary shall
 53 receive an amount equal to one and one-half times the compensation
 54 upon which contributions by the member to the annuity savings
 55 fund were based in the last year of creditable service. In all other
 56 instances where a member dies while serving in elected office after
 57 attaining age 70, the amount payable shall equal three-sixteenths
 58 of such compensation instead of one and one-half times such com-
 59 pensation].

1 3. Section 57 of P. L. 1954, c. 84 (C. 43:15A-57) is amended to
 2 read as follows:

3 57. a. Each member who is a member on December 1, 1956 and
 4 each person who thereafter becomes a member prior to the effec-
 5 tive date of this amendatory act, will be eligible to purchase the
 6 additional death benefit coverage hereinafter described, provided
 7 he selects such coverage within one year after December 1, 1956 or
 8 after the effective date of membership, whichever date is later,
 9 or makes an election pursuant to subsection b. of this section.

10 b. Each member who, on the effective date of this amendatory
 11 act, shall not have elected such additional death benefit coverage
 12 or who had elected coverage, but for whom there is not in effect
 13 such additional death benefit coverage shall also be eligible to elect
 14 such additional death benefit coverage, provided he furnishes satis-
 15 factory evidence of insurability and on the date of such election
 16 is actively at work and performing all his regular duties at his
 17 customary place of employment. Applications under this subsec-
 18 tion shall be filed within one year following the effective date of
 19 this amendatory act.

20 c. Each person becoming a member on or after the effective date
 21 of this amendatory act who on the date he becomes a member is
 22 less than 60 years of age shall automatically be covered for such
 23 additional death benefit coverage from the first day of his mem-
 24 bership on which he is actively at work and performing all his

25 regular duties at his customary place of employment. Such auto-
26 matic coverage shall continue during the member's first year of
27 membership and during such year he shall make contributions
28 as fixed by the board of trustees. Additional death benefit coverage
29 for such member shall continue in effect after the first year of
30 membership on the continuance of payment of the required con-
31 tributions therefor.

32 d. Each person becoming a member on or after the effective
33 date of this amendatory act who on the date he becomes a member
34 is 60 or more years of age may, within one year from the date of
35 membership, elect to purchase such additional death benefit cover-
36 age, provided that the member furnishes satisfactory evidence of
37 insurability and on the date of such election is actively at work
38 and performing all his regular duties at his customary place of
39 employment.

40 e. Notwithstanding other provisions of this section relating to
41 the amount of death benefit any member who has acquired or shall
42 acquire additional death benefit coverage, the death benefit payable
43 in the event of death occurring on or after the effective date of
44 this amendatory act and during the first year of membership shall
45 be based upon the member's annual base salary. The effective
46 date of coverage of any person electing to purchase additional
47 death benefit coverage, pursuant to the provisions of subsections
48 "a.," "b." and "d." of this section shall be the first day of the
49 month immediately following the date of such election unless evi-
50 dence of insurability is required as a condition of such election in
51 which event the effective date of coverage shall be the first day
52 of the month which immediately follows the later of (a) the date
53 of such election and (b) the date such evidence is determined to
54 be satisfactory.

55 f. The board of trustees shall establish schedules of contribu-
56 tions to be made by the members who elect to purchase the addi-
57 tional death benefit coverage. Such contributions shall be so com-
58 puted that the contributions made by or on behalf of all covered
59 members in the aggregate shall be sufficient to provide for the cost
60 of the benefits established by this section. Such schedules of con-
61 tributions shall be subject to adjustment from time to time, by the
62 board of trustees, as the need may appear.

63 g. Upon the receipt of proper proofs of the death in service of
64 any such member while covered for the additional death benefit
65 coverage there shall be paid to such person, if living, as the mem-
66 ber shall have nominated by written designation duly executed
67 and filed with the board of trustees, otherwise to the executor

68 or administrator of the member's estate, an amount equal to one
69 and one-half times the compensation received by the member in
70 the last year of creditable service or some lesser amount as may
71 be provided by the board of trustees and elected to purchase by
72 the member; provided, however, that if such death in service
73 shall occur on or after July 1, 1956, and after the member has
74 attained age 70, the amount payable shall equal three-sixteenths
75 of the compensation received by the member in the last year of
76 creditable service. In the case of a member covered for the
77 additional death benefit who is elected to a term of office before
78 attaining age 70 and who shall die during said term but after hav-
79 ing attained age 70, or a member who, after attaining age 70, is
80 reelected to, and renders continuous service in, an elected office
81 which he held upon attaining age 70 and who shall die during such
82 term as reelected, the beneficiary or executor or administrator of
83 the member's estate, as the case may be, shall receive an amount
84 equal to one and one-half times the compensation received by the
85 member in the last year of creditable service or some lesser amount
86 as may be provided by the board of trustees and elected to be
87 purchased by the member. In all other instances where a member
88 dies while serving in elected office after attaining age 70, the
89 amount payable shall equal three-sixteenths of the compensation
90 received by the member in the last year of creditable service.

91 h. The contributions of a member for the additional death
92 benefit coverage shall be deducted from his compensation, but if
93 there is no compensation from which such contributions may be
94 deducted it shall be the obligation of the member to make such
95 contributions directly to the board of trustees or as directed by
96 the board; provided, however, that no contributions shall be re-
97 quired after June 30, 1956, while a member remains in service
98 after attaining age 70, but that his employer shall be required
99 to pay into the fund on his behalf in such case an amount equal
100 to the contribution otherwise required by the board of trustees
101 in accordance with this section.

102 i. Any other provision of this act notwithstanding, the contri-
103 butions of a member for the additional death benefit coverage
104 under this section shall not be returnable to the member or his
105 beneficiary in any manner, or for any reason whatsoever, nor
106 shall any contributions made for the additional death benefit
107 coverage be included in any annuity payable to any such member
108 or to his beneficiary.

109 j. A member who has elected to purchase the additional death
110 benefit coverage provided by this section may file with the board
111 of trustees, and alter from time to time during his lifetime, as

112 desired, a duly attested, written, new nomination of the payee
 113 of the death benefit provided under this section. Such member may
 114 also file and alter from time to time during his lifetime, as desired,
 115 a request with the board of trustees directing payment of said
 116 benefit in one sum or in equal annual installments over a period
 117 of years or as a life annuity. Upon the death of such member,
 118 a beneficiary to whom a benefit is payable in one sum may elect
 119 to receive the amount payable in equal annual installments over
 120 a period of years or as a life annuity.

121 k. All other provisions of this section notwithstanding, this sec-
 122 tion and the benefits provided under this section shall not come
 123 into effect until a required percentage of the members shall have
 124 applied for the additional death benefit coverage under this sec-
 125 tion. This required percentage shall be fixed by the board of
 126 trustees. Any such percentage may be made applicable to male
 127 members only or to other groupings as determined by the board
 128 of trustees of the Public Employees' Retirement System. Applica-
 129 tions for such additional death benefit coverage shall be submitted
 130 to the secretary of the board of trustees in such manner and upon
 131 such forms as the board of trustees shall provide.

1 4. This act shall take effect immediately.

STATEMENT

This bill eliminates the reduction in death benefits which applies to members of the Public Employees' Retirement System who have attained the age of 70. Under current law, the noncontributory and contributory death benefits are each reduced from 1 ½ times the compensation received in the last year of service to $\frac{3}{16}$ of that compensation when a member in service attains the age of 70. The bill also eliminates a provision which required an employer to pay the contribution for the reduced, contributory death benefit of a member who attained the age of 70.

As a result of the elimination of mandatory retirement by P. L. 1985, c. 73, members of the PERS are permitted to continue work beyond the age of 70. This bill will provide the members with the protection of full death benefits for their survivors as long as they remain in service.

PENSIONS AND RETIREMENT—PERS, TPAF, OTHER
 Eliminates the reduction in noncontributory and contributory death benefits which applies to members of the PERS who remain in service after attaining the age of 70.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, Nos. 2203 and 2103

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 18, 1986

The Assembly State Government Committee reports favorably and with committee amendments the Senate Committee Substitute for Senate Bill Nos. 2203 and 2103.

This bill eliminates the reduction in noncontributory and contributory death benefits which applies to active members of the Public Employees' Retirement System upon their attainment of age 70. Under current law, the noncontributory and contributory death benefits payable to the beneficiary of a member who dies in service before attainment of that age are each equal to $1\frac{1}{2}$ times the member's compensation in his final year of service; both benefit multiples are reduced to $\frac{3}{16}$ if the member's death in service occurs after he becomes 70 years of age. Under the bill, death benefits for each type of coverage will continue to be payable at the rate of $1\frac{1}{2}$ times final compensation whatever the member's age, so long as he remains in service. The bill also eliminates a statutory provision requiring an employer to assume the cost of a member's contributory life insurance coverage after the member attains age 70.

In addition to the foregoing, the bill establishes for members of PERS the right to continue the same life insurance coverage after retirement as they had while employed, provided they agree to pay the full cost thereof.

The bill is to take effect immediately and the provisions eliminating the reduction in the death benefit rate apply retroactively to October 1, 1985.

COMMITTEE AMENDMENT:

The committee amended the bill (1) to incorporate the provision permitting members to continue full death benefit coverage after retirement, and (2) to eliminate a provision that the termination of the employer's obligation to assume the cost of a PERS member's contributory life insurance coverage after his attainment of age 70 would apply retroactively.

SENATE STATE GOVERNMENT AND FEDERAL AND
INTERSTATE RELATIONS AND VETERANS AFFAIRS
COMMITTEE

STATEMENT TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 2203 and 2103

STATE OF NEW JERSEY

DATED: JUNE 16, 1986

The Senate State Government Committee reports favorably a Senate Committee Substitute for Senate Bill No. 2203 and Senate Bill No. 2103.

As a result of the elimination of mandatory retirement by P. L. 1985, c. 73, members of the Public Employees' Retirement System can continue working beyond the age of 70. This bill would eliminate the reduction in death benefits which applies to PERS members who have attained the age of 70. Under current law, the noncontributory and contributory death benefits are each reduced from $1\frac{1}{2}$ times the compensation received in the last year of service to $\frac{3}{16}$ of that compensation when a member in service reaches age 70. The bill also eliminates a provision which required an employer to pay the contribution for the reduced contributory death benefit of a member who attained the age of 70.

The committee combined Senate Bill No. 2203 and Senate Bill No. 2103 because they were identical except for their effective dates. The committee provided that the bill shall take effect immediately and shall be retroactive to October 1, 1985.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

December 3, 1986

SENATE BILL NOS. 2203 AND 2103 SCS (OCR)

To the Senate:

Pursuant to Article V, Section 1, Paragraph 14 of the Constitution, I am returning the Official Copy Reprint for the Senate Committee Substitute for Senate Bill Nos. 2203 and 2103 [Senate Bill Nos. 2203 and 2103 SCS (OCR)] with my recommendations for reconsideration.

Senate Bill Nos. 2203 and 2103 SCS (OCR) would amend the law governing the Public Employees' Retirement System (PERS) to remove the inequity that currently exists in the contributory and noncontributory death benefits payable to the beneficiary of a member who is age 70 or over and who dies in active service. Under current law, the beneficiary of a PERS member who is age 70 or over and who dies in active service receives 3/16 of the member's compensation received during the last year of creditable service. However, the beneficiary of a PERS member who is under age 70 and who dies in active service receives 1½ times the member's compensation received during the last year of creditable service. Senate Bill Nos. 2203 and 2103 SCS (OCR) would amend PERS law to also allow the beneficiary of a member who is age 70 or over and who dies in active service to receive 1½ times the member's compensation received during the last year of creditable service. Senate Bill Nos. 2203 and 2103 SCS (OCR) would rectify this inequity in PERS law in the areas of ordinary death benefits, accidental death benefits and additional death benefits.

The bill would also repeal a provision in PERS law that requires the public employer to pay an active employee's additional death benefit premium after the active employee reaches age 70. The effect of this provision of Senate Bill Nos. 2203 and 2103 SCS (OCR) is to require a PERS member who reaches age 70 and who wishes to continue additional death benefit coverage while in active service to continue paying the premium for the coverage.

Finally, Senate Bill Nos. 2203 and 2103 SCS (OCR) would amend PERS law to give a PERS member who is retiring the option of retaining life insurance coverage, as long as the member pays the premium. Under current law, a PERS member may not convert life insurance coverage upon retirement.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

2

I support the concepts expressed in Senate Bill Nos. 2203 and 2103 Scs (OCR). The bill is designed to rectify the current inequity between PERS law and the law governing the Teachers' Pension and Annuity Fund (TPAF) in the area of death benefit coverage for active members and in the area of the life insurance conversion privilege. Significantly, Senate Bill Nos. 2203 and 2103 Scs (OCR) would further a policy established in March 1985 when I signed Chapter 73 of the Public Laws of 1985. This statute prohibits mandatory retirement because of age in public and private employment. Senate Bill Nos. 2203 and 2103 Scs (OCR) would remove yet another vestige of age discrimination in public employment.

While I support the concepts expressed in Senate Bill Nos. 2203 and 2103 Scs (OCR), I must return the bill so that it can be amended in two areas.

Section 4 of Senate Bill Nos. 2203 and 2103 Scs (OCR), pertaining to the life insurance conversion privilege, must be amended to broaden the scope of the section. This section is intended to conform PERS law to TPAF law in the area of the life insurance conversion privilege. In its current form, the scope of section 4 is narrower than the scope of current TPAF law.

Current TPAF law and current PERS law, as amended by section 4 of Senate Bill Nos. 2203 and 2103 Scs (OCR), will allow a member who is retiring to convert life insurance coverage. However, current TPAF law also allows a member who ceases to be in service to convert life insurance coverage, while current PERS law, as amended by section 4 of Senate Bill Nos. 2203 and 2103 Scs (OCR), would only allow a member who is no longer eligible for participation in the PERS to convert life insurance coverage. Section 4 of Senate Bill Nos. 2203 and 2103 Scs (OCR) would also delete all language pertaining to a termination or cessation of service.

The effect of this disparity in language is to allow a TPAF member a broader life insurance conversion privilege. A TPAF member may exercise the life insurance conversion privilege immediately, upon a cessation of service. However, a PERS member, upon a cessation of service, either must request and receive a refund of pension contributions, or must wait at least ten years and not resume public service for the ten-year period, to be able to exercise the life insurance conversion privilege.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

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I am advised that this disparity between TPAF law and section 4 of Senate Bill Nos. 2203 and 2103 Scs (OCR) was unintended. Accordingly, I recommend that section 4 be amended to also allow a PERS member the option of immediately exercising the life insurance conversion privilege, upon a cessation of service.

Section 5 of Senate Bill Nos. 2203 and 2103 Scs (OCR) must be amended so that the effective date of the portions of section 3 pertaining to the eligibility for and payment of additional death benefits can be made retroactive to October 1, 1985. It was intended that the effective date of all death benefit provisions of Senate Bill Nos. 2203 and 2103 Scs (OCR) be made retroactive to October 1, 1985 to coincide with the effective date of Chapter 73 of the Public Laws of 1985. As indicated, Chapter 73 of the Public Laws of 1985 prohibits mandatory retirement because of age in public and private employment. Unfortunately, only sections 1 and 2 of Senate Bill Nos. 2203 and 2103 Scs (OCR), pertaining to ordinary death benefits and accidental death benefits, were made retroactive to October 1, 1985. Section 3 of Senate Bill Nos. 2203 and 2103 Scs (OCR) will be effective immediately and hence, will apply prospectively only.

In its current form, section 5 of Senate Bill Nos. 2203 and 2103 Scs (OCR) would have the effect of allowing a beneficiary of a PERS member who was age 70 or older and who has died in active service since October 1, 1985 to receive an ordinary death benefit or accidental death benefit of $1\frac{1}{2}$ times the member's compensation received during the last year of creditable service. However, if the member also possessed additional death benefit coverage, the beneficiary will receive an additional death benefit only in the amount that current law allows, which is $\frac{3}{16}$ of the member's compensation received during the last year of creditable service. I am advised that it was intended that a beneficiary of a PERS member having additional death benefit coverage who was age 70 or older and who has died in active service since October 1, 1985 should also receive an additional death benefit of $1\frac{1}{2}$ times the member's compensation received during the last year of creditable service.

I recommend that the effective date of the portions of section 3 of Senate Bill Nos. 2203 and 2103 Scs (OCR) pertaining to the eligibility for and payment

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of additional death benefits be made retroactive to October 1, 1985. Through this amendment, beneficiaries of PERS members having additional death benefit coverage who were age 70 or older and who have died while in active service since October 1, 1985, will receive an additional death benefit of 1½ times the member's compensation received during the last year of creditable service.

I emphasize that subsection h of section 3 will continue to apply prospectively. Subsection h of section 3 would require a PERS member who is age 70 or older in active service who wishes to continue additional death benefit coverage to continue paying the premium for the coverage. This subsection should apply only prospectively, as it would be unfair to require these active PERS members to make retroactive life insurance premium payments.

Accordingly, I herewith return Senate Bill Nos. 2203 and 2103 Scs (OCR) and recommend that it be amended as follows:

Page 7, Section 4, Line 7: After "member" INSERT "has ceased to be in service or"

Page 8, Section 5, Line 2: Omit "and 2" INSERT "through 3, with the exception of subsection h. of section 3,"

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ Michael R. Cole

Chief Counsel