

52:14-17.32 et al

LEGISLATIVE HISTORY CHECKLIST

NJSA: 52:14-17.32 et al (TPAF retirees-- certain-- state payment of health insurance premiums)

LAWS OF: 1987 **CHAPTER:** 385

Bill No: A4364

Sponsor(s): Singer and others

Date Introduced: June 18, 1987

Committee: **Assembly:** Appropriations

Senate: State Government, Federal and Interstate Relations and Veterans' Affairs; Revenue, Finance and Appropriations.

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: **Assembly:** June 29, 1987

Senate: December 10, 1987

Date of Approval: January 8, 1988

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: **Assembly** Yes

Senate Yes 11-9-87 and 12-7-87

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

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ASSEMBLY, No. 4364

STATE OF NEW JERSEY

INTRODUCED JUNE 18, 1987

By Assemblywoman SMITH, Assemblymen KELLY, Deverin
and Assemblywoman Crecco

AN ACT concerning the financing of ***[**adjustments in retirement allowances, pensions and survivorship benefits payable to certain retirants and beneficiaries under the "Pension Adjustment Act,"**]*** **pension adjustment benefits and health care benefits for retirees from the Teachers' Pension and Annuity Fund,** amending N. J. S. 18A:66-18 and supplementing article 1 of chapter 66 of Title 18A of the New Jersey Statutes and P. L. 1969, c. 169 (C. 43:3B-1 et seq.).

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

1 1. N. J. S. 18A:66-18 is amended to read as follows:

2 N. J. S. 18A:66-18. The contingent reserve fund shall be the
3 fund in which shall be credited contributions made by the State
4 and other employers.

5 a. Upon the basis of such tables recommended by the actuary
6 as the board of trustees adopts, and regular interest, the actuary
7 of the board shall compute annually the amount of contribution,
8 expressed as a proportion of the compensation paid to all mem-
9 bers, except veteran members who were employed as teachers on
10 January 1, 1955, which, if paid monthly during the entire prospec-
11 tive service of such members, will be sufficient to provide for the
12 pension reserves required at the time of discontinuance of active
13 service, to cover all pensions to which they may be entitled or
14 which are payable on their account, and to provide for the amount
15 of the death and accidental disability benefits payable on their

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 June 25, 1987.**

16 account, and which amount is not covered by other contributions
 17 to be made as provided in this section and the funds in hand
 18 available for such benefits. This shall be known as the "normal
 19 contribution."

20 b. Upon the basis of such tables recommended by the actuary
 21 as the board of trustees adopts, and regular interest, the actuary
 22 of the board shall compute the amount of the unfunded liability
 23 as of **[June 30, 1970]** ***[June 30, 1986]*** ***March 31, 1987*** which
 24 has accrued on the basis of service rendered prior to **[July 1, 1970]**
 25 ***[July 1, 1986]*** ***April 1, 1987*** by all members, except veteran
 26 members who were employed as teachers on January 1, 1955, includ-
 27 ing the amount of the liability accrued by reason of the establish-
 28 ment of class B credit by nonveteran members which has not al-
 29 ready been covered by State contributions to the retirement system,
 30 and including the accrued liabilities established by section 13 of
 31 chapter 66 of the laws of 1966. Using the total amount of this un-
 32 funded accrued liability, he shall compute the amount of the ***[flat]***
 33 annual payments which, if paid in each succeeding fiscal year com-
 34 mencing with **[July 1, 1971]** *July 1, 1987*, for a period **[of]** *which*
 35 *the State Treasurer shall determine upon the advice of the director*
 36 *of the Division of Pensions* ***[and the recommendation of the**
 37 *actuary]*, *but not exceeding 40 years*, will provide for this liability.
 38 This shall be known as the "accrued liability contribution."*

39 c. Upon the basis of such tables recommended by the actuary as
 40 the board of trustees adopts, and regular interest, the actuary of
 41 the board shall compute annually the amount of the total liability
 42 for past service and all prospective service for veteran members
 43 who were employed as teachers on January 1, 1955, which has not
 44 already been covered by State and employer contributions to the
 45 retirement system and, except as provided by section 18A:66-70,
 46 by past or prospective contributions by such veteran members and
 47 which will be sufficient to provide for the pension reserves required
 48 at the time of discontinuance of active service, to cover all pen-
 49 sions to which they may be entitled or which are payable on their
 50 account, and to provide for the amount of death and accidental
 51 disability benefits payable on their account. Using the total amount
 52 of this liability remaining as a basis, he shall compute the amount
 53 of the flat annual payment, which, if paid in each succeeding fiscal
 54 year commencing with July 1, 1957, for a period of 30 years, will
 55 provide for this liability.

56 d. The retirement system shall certify annually the aggregate
 57 amount payable to the contingent reserve fund in the ensuing year,
 58 which amount shall be equal to the sum of the amounts described

59 in this section, and which shall be paid into the contingent reserve
60 fund in the manner provided by section 18A:66-33.

61 e. Except as provided in sections 18A:66-26 and 18A:66-53, the
62 death benefits payable under the provisions of this article upon
63 the death of an active or retired member shall be paid from the
64 contingent reserve fund.

65 f. The disbursements for benefits not covered by reserves in the
66 system on account of veterans shall be met by direct contribution
67 of the State.

1 2. (New section) Pension adjustment benefits for members and
2 beneficiaries of the Teachers' Pension and Annuity Fund as pro-
3 vided by the "Pension Adjustment Act," P. L. 1969, c. 169 (C.
4 43:3B-1 et seq.) **and health care benefits for qualified retirees and*
5 *their dependents as provided by P. L. 1987, c. (C.)*
6 *(now pending before the Legislature as Assembly Bill No. 4363)**
7 shall be paid by the retirement system **from the contingent re-*
8 *serve fund** and shall be funded as employer obligations in a
9 similar manner to that provided for the funding of employer ob-
10 ligations for the retirement benefits provided by the retirement
11 system. ***[The value of anticipated future adjustments for active**
12 **members as of and after July 1, 1986 shall be funded as a per-**
13 **centage of prospective total compensation on the assumption that**
14 **the funding level for the cost of these adjustments will be phased**
15 **in over a period of not more than 30 years commencing on July**
16 **1, 1986.]***

1 3. (New section) Notwithstanding the provisions of the "Pen-
2 sion Adjustment Act," P. L. 1969, c. 169 (C. 43:3B-1), pension
3 adjustment benefits provided ***[for]*** under the act for members
4 and beneficiaries of the Teachers' Pension and Annuity Fund shall
5 be paid by the retirement system ***[and shall be funded as em-**
6 **ployer obligations in the manner prescribed for such funding by**
7 **the provisions of section 2 of this 1987 amendatory and supple-**
8 **mentary act]***. **The Director of the Division of Pensions shall*
9 *annually certify to the Teachers' Pension and Annuity Fund the*
10 *cost for providing pension adjustment benefits to members and*
11 *beneficiaries. The retirement system shall annually remit to the*
12 *Division of Pensions the amount certified at a time specified by*
13 *the State Treasurer.**

1 4. This act shall take effect on the first day of the fourth month
2 following the date of enactment, but shall remain inoperative un-
3 less and until Assembly Bill No. 4363 of 1987 and Assembly Bill
4 No. 4365 of 1987 are enacted.

PENSION AND RETIREMENT—PERS, TPAF, OTHER

Provides for assumption by TPAF of liability for cost of COLA payments to TPAF retirants.

62 death benefits payable under the provisions of this article upon
63 the death of an active or retired member shall be paid from the
64 contingent reserve fund.

65 f. The disbursements for benefits not covered by reserves in the
66 system on account of veterans shall be met by direct contribution
67 of the State.

1 2. (New section) Pension adjustment benefits for members and
2 beneficiaries of the Teachers' Pension and Annuity Fund as pro-
3 vided by the "Pension Adjustment Act," P. L. 1969, c. 169 (C.
4 43:3B-1 et seq.) shall be paid by the retirement system and shall
5 be funded as employer obligations in a similar manner to that pro-
6 vided for the funding of employer obligations for the retirement
7 benefits provided by the retirement system. The value of antic-
8 ipated future adjustments for active members as of and after July
9 1, 1986 shall be funded as a percentage of prospective total com-
10 pensation on the assumption that the funding level for the cost of
11 these adjustments will be phased in over a period of not more than
12 30 years commencing on July 1, 1986.

1 3. (New section) Notwithstanding the provisions of the "Pen-
2 sion Adjustment Act," P. L. 1969, c. 169 (C. 43:3B-1), pension
3 adjustment benefits provided for under the act for members and
4 beneficiaries of the Teachers' Pension and Annuity Fund shall be
5 paid by the retirement system and shall be funded as employer
6 obligations in the manner prescribed for such funding by the pro-
7 visions of section 2 of this 1987 amendatory and supplementary
8 act.

1 4. This act shall take effect on the first day of the fourth month
2 following the date of enactment, but shall remain inoperative un-
3 less and until Assembly Bill No. 4363 of 1987 and Assembly Bill
4 No. 4365 of 1987 are enacted.

STATEMENT

This bill provides for assumption by the Teachers' Pension and Annuity Fund of the liability for pension adjustment benefits payable to retirants from the fund and requires that the cost of that liability be met on a reserve funded basis.

PENSION AND RETIREMENT—PERS, TPAF, OTHER

Provides for assumption by TPAF of liability for cost of COLA payments to TPAF retirants.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4364

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 25, 1987

The Assembly Appropriations Committee favorably reports Assembly Bill No. 4364 with committee amendments.

Assembly Bill No. 4364, as amended, provides for changes in the Teachers' Pension and Annuity Fund (TPAF) by recalculation of the unfunded liability, the prefunding of the cost of living adjustments (COLA) and financing health care benefits for retirees.

The unfunded accrued liability will be recalculated under a new amortization period commencing with July 1, 1987, not to exceed 40 years. The COLA shall be financed through reserve funding, of which the anticipated future adjustments will be phased in. Health benefits will become a liability of the fund.

This bill as part of a three-bill package shall remain inoperative until enactment of Assembly Bill Nos. 4363 and 4365 which pertain to TPAF health benefits coverage.

FISCAL IMPACT:

There is no fiscal note on this bill, however, the Division of Pensions has stated that the State can anticipate cost savings from the new financing even with the additional cost of TPAF retiree health benefits.

COMMITTEE AMENDMENTS:

The committee amended the bill, at the suggestion of the State Treasurer and State Director of Pensions, to make technical changes, and include the liability of the health benefits in this bill.

SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 4364

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STATE OF NEW JERSEY

DATED: DECEMBER 7, 1987

The Senate Revenue, Finance and Appropriations Committee reported Assembly Bill No. 4364 OCR favorably.

Assembly Bill No. 4364 OCR concerns the financing of Teachers' Pension and Annuity Fund (TPAF) pension and health benefits. The bill provides that cost of living adjustment (COLA) benefits for members and beneficiaries and health care benefits under the State Health Benefits Program (SHBP) for qualified retirees and their dependents shall be paid by the retirement system from the contingent reserve fund. These benefits shall be funded as employer obligations in a manner similar to the funding of employer obligations for retirement benefits provided by the retirement system; employer obligations of this system are funded by the State.

The bill also proposes to refinance the TPAF accrued liability. The bill provides for the recalculation of the unfunded accrued liability of TPAF (for basic retirement benefits) by establishing a new amortization period which shall commence on July 1, 1987. The new period shall be determined by the State Treasurer with the advice of the Director of the Division of Pensions, and shall not exceed 40 years.

This bill shall remain inoperative until Assembly Bill No. 4363 OCR of 1987 and Assembly Bill No. 4365 of 1987 are enacted. It is identical to Senate Bill No. 3576.

FISCAL IMPACT:

The fiscal impact of this bill is unknown. The Division of Pensions has estimated the costs of refinancing the accrued liability and prefunding the COLA of the TPAF system based on the assumptions and provisions used for the Police and Firemen's Retirement System in the proposed committee substitute for Senate Bill No. 1931 OCR. Based on that data, the net cost savings based on 1987 data would be \$195.1 million. However, this does not include the financing of health benefits; also, the same assumptions may not be used by the division if the division were to estimate the refinancing and prefunding costs for TPAF under this bill.