

18A:66-174
LEGISLATIVE HISTORY CHECKLIST
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LAWS OF: 2010 **CHAPTER:** 31

NJSA: 18A:66-174 (Limits State ABP contributions for higher education faculty whose salary exceeds statutory maximum of Executive Branch department heads)

BILL NO: S2094 (Substituted for A3008)

SPONSOR(S) O'Toole and others

DATE INTRODUCED: June 21, 2010

COMMITTEE: **ASSEMBLY:** ---

SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** June 28, 2010

SENATE: June 28, 2010

DATE OF APPROVAL: June 29, 2010

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Introduced version of bill enacted)

S2094

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL NOTE: Yes

A3008/A2979

SPONSOR'S STATEMENT A3008: (Begins on page 3 of introduced bill) Yes

SPONSOR'S STATEMENT A2979: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

LAW/KR

SENATE, No. 2094

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 21, 2010

Sponsored by:

Senator KEVIN J. O'TOOLE

District 40 (Bergen, Essex and Passaic)

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

Assemblyman DOMENICK DICICCO, JR.

District 4 (Camden and Gloucester)

SYNOPSIS

Limits State ABP contributions for higher education faculty whose salary exceeds statutory maximum salary of Executive Branch department heads.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/29/2010)

S2094 O'TOOLE

2

1 AN ACT concerning the State's pension contributions to the
2 Alternate Benefit Program and amending P.L.1969, c.242.

3

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

6

7 1. Section 8 of P.L.1969, c.242 (C.18A:66-174) is amended to
8 read as follows:

9 8. (a) The University of Medicine and Dentistry of New Jersey,
10 Rutgers, The State University and the New Jersey Institute of
11 Technology shall reduce the compensation of each participant in the
12 alternate benefit program and pay over to the insurers or mutual
13 fund companies for the benefit of the participant an employee
14 contribution for the retirement annuity contract or contracts equal to
15 5% of the participant's base salary. The intervals for deductions or
16 reductions and payments shall be determined by the respective
17 school governing bodies.

18 The Division of Pensions shall provide for reductions from the
19 compensation of each participant in the alternate benefit program
20 employed by the State and county colleges of an employee
21 contribution equal to 5% of the participant's base salary and pay this
22 amount to the insurers or mutual fund companies for the
23 individual's retirement annuity contract or contracts. The intervals
24 for deductions or reductions and payments shall be determined by
25 the Division of Pensions.

26 The Division of Pensions may require that all participant
27 contributions be made in accordance with section 414(h) of the
28 federal Internal Revenue Code (26 U.S.C. s.414(h)).

29 (b) Based on a certification to the Division of Pensions by the
30 University of Medicine and Dentistry of New Jersey, Rutgers, The
31 State University and the New Jersey Institute of Technology of the
32 number and base salary of participants, the division shall authorize
33 the State to make payment of the employer contributions to the
34 alternate benefit program at a rate equal to 8% of the employee's
35 base salary, except the amount of the contribution shall not exceed
36 8% of the maximum salary for department officers established
37 pursuant to section 1 of (P.L.1974, c.55 (C.52:14-15.107)), which
38 moneys shall be paid to the designated insurers or mutual fund
39 companies for the benefit of each participant.

40 Based on a certification by the Division of Pensions of the
41 number and base salary of participants employed by the State and
42 county colleges, the State shall make payment of the employer
43 contributions to the alternate benefit program at a rate equal to 8%
44 of the employee's base salary, except the amount of the contribution
45 shall not exceed 8% of the maximum salary for department officers

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

Matter underlined thus is new matter.

1 established pursuant to section 1 of (P.L.1974, c.55 (C.52:14-
2 15.107), which moneys shall be paid to the designated insurers or
3 mutual fund companies for the benefit of each participant.

4 (c) For the member of the Public Employees' Retirement System
5 employed by the county colleges, who is defined in the regulations
6 of the Division of Pensions as a full-time faculty member and who
7 is permitted to transfer his membership and does so, the State shall
8 pay the employer contribution to the alternate benefit program at a
9 rate equal to 8% of the member's base salary, except the amount of
10 the contribution shall not exceed 8% of the maximum salary for
11 department officers established pursuant to section 1 of (P.L.1974,
12 c.55 (C.52:14-15.107). If the member continues membership in the
13 Public Employees' Retirement System, the State shall pay the
14 employer contribution to the retirement system on his behalf and
15 such employer contribution shall be at a rate equal to the normal
16 contribution made by the State on behalf of nonveteran members of
17 the Public Employees' Retirement System.

18 (d) For any nonacademic employee of a county college, as
19 defined in section 4 of P.L.1969, c.242 (C.18A:66-170), who is
20 eligible for the program according to the regulations of the Director
21 of the Division of Pensions, the county college shall pay the
22 employer contribution to the retirement system on the employee's
23 behalf in the same manner as the State, pursuant to this section.

24 (cf: P.L.1994, c.48, s.190)

25

26 2. This act shall take effect on July 1, 2010.

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28

29

STATEMENT

30

31 This bill establishes a limit on the State's employer contributions
32 to the Alternate Benefit Program (ABP) by providing that there will
33 be no contributions based on any portion of salary that is in excess
34 of the statutory maximum salary of State cabinet officers.

35 The ABP is a defined contribution pension system whose
36 members are the faculty of New Jersey public institutions of higher
37 education. Currently, the State contributes 8% of the ABP
38 member's base salary and the member contributes 5%. The bill
39 provides that the State will contribute at a rate equal to 8% of the
40 member's base salary except the amount of the contribution may not
41 exceed 8% of the maximum salary for department officers as
42 established by law. N.J.S.A. 52:14-15.107 sets the maximum
43 annual salary of department officers at \$141,000 for calendar year
44 2002 and thereafter.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2094

STATE OF NEW JERSEY

DATED: JUNE 23, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2094.

The bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by providing that there will be no contributions based on any portion of salary that is in excess of the statutory maximum salary of State cabinet officers.

The ABP is a defined contribution pension system whose members are the faculty of New Jersey public institutions of higher education. Currently, the State contributes 8% of the ABP member's base salary and the member contributes 5%. The bill provides that the State will contribute at a rate equal to 8% of the member's base salary except the amount of the contribution may not exceed 8% of the maximum salary for department officers as established by law. N.J.S.A. 52:14-15.107 sets the maximum annual salary of department officers at \$141,000 for calendar year 2002 and thereafter.

FISCAL IMPACT:

This bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by reducing the maximum salary on which the State will make employer contributions for the Alternate Benefit Program (ABP) from the current level of \$245,000 which is the federal maximum to \$141,000 which is the maximum allowable compensation for Executive Branch Cabinet Officers pursuant to P.L.1974, c.55 (C.52:14-15.107). The Office of Management and Budget estimates that the reduction in the employer contribution will provide savings to the State General Fund of \$2.543 million based on calculations using actual salaries provided by the colleges for their FY 2010 budgets.

The Office of Legislative Services (OLS) notes that the reduction in the contribution applies only to the employer portion of the contribution. Employee contributions remain unchanged. Employees are required to make a five percent contribution to the ABP based on their actual base salary, not limited to maximum salary set for employer contributions. In addition, employer payments for life insurance and temporary disability benefits, which are provided for under separate contract, remain unchanged and are required to be based on the employee's actual base salary, limited to maximum salary

set for employer contributions. In addition, the OLS notes that some or all of these savings may be delayed until collectively negotiated contracts that are currently in effect expire, depending on the number of contracts that specify an employer contribution rate.

FISCAL NOTE
SENATE, No. 2094
STATE OF NEW JERSEY
214th LEGISLATURE

DATED: JULY 28, 2010

SUMMARY

- Synopsis:** Limits State ABP contributions for higher education faculty whose salary exceeds statutory maximum salary of Executive Branch department heads.
- Type of Impact:** Expenditure reduction to the State General Fund.
- Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.

Executive Estimate

Fiscal Impact	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
State Savings	\$2,543,000	See comments below	

- The Office of Legislative Services (OLS) **concurs** with the Executive Branch fiscal estimate.
- This bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by providing that there will be no contributions based on any portion of salary that is in excess of the statutory maximum salary of State cabinet officers.
- This bill would reduce the maximum salary on which the State will make employer contributions for the ABP from the current level of \$245,000 which is the federal maximum to \$141,000 which is the maximum allowable compensation for Executive Branch Cabinet Officers pursuant to N.J.S.A. 52:14-15.107.
- The Office of Management and Budget estimates that the reduction in the employer contribution will provide savings to the State General Fund of \$2.543 million based on calculations using actual salaries provided by the colleges for their FY 2010 budgets.

BILL DESCRIPTION

Senate Bill No. 2094 of 2010 establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by providing that there will be no contributions based on any portion of salary that is in excess of the statutory maximum salary of State cabinet officers.

The ABP is a defined contribution pension system whose members are the faculty, administrators, and professional staff of the New Jersey public institutions of higher education. Currently, the State contributes eight percent of the ABP member's base salary and the member contributes five percent. The bill provides that the State will contribute at a rate equal to eight percent of the member's base salary except the amount of the contribution may not exceed eight percent of the maximum salary for department heads as established by law. N.J.S.A. 52:14-15.107 sets the maximum annual salary of department heads at \$141,000 for calendar year 2002 and thereafter.

FISCAL ANALYSIS

EXECUTIVE BRANCH

According to the Office of Management and Budget, the proposal seeks to reduce the maximum salary on which the State will make employer contributions for the ABP from the current level of \$245,000 which is the federal maximum to \$141,000 which is the maximum allowable compensation for Executive Branch Cabinet Officers pursuant to N.J.S.A. 52:14-15.107. The Office of Management and Budget estimates that the reduction in the employer contribution will provide savings to the State General Fund of \$2.543 million based on calculations using actual salaries provided by the colleges for their FY 2010 budgets.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive Branch fiscal estimate. The OLS notes that the reduction in the contribution applies only to the employer pension portion of the contribution. Employee contributions remain unchanged. Employees are required to make a five percent contribution to the ABP based on their actual base salary, not limited to maximum salary set for employer contributions. In addition, employer payments for life insurance and temporary disability benefits, which are provided for under separate contract, remain unchanged and are required to be based on the employees actual base salary, not limited to maximum salary set for employer contributions. The OLS notes that it may be possible that some of these savings may be delayed if there are any negotiated contracts currently in effect that specify an employer contribution rate.

Section: State Government
Analyst: Kimberly Clemmensen
Senior Fiscal Analyst
Approved: David J. Rosen
Legislative Budget and Finance Officer

ASSEMBLY, No. 3008

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 24, 2010

Sponsored by:

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

Assemblyman DOMENICK DICICCO, JR.

District 4 (Camden and Gloucester)

SYNOPSIS

Limits State ABP contributions for higher education faculty whose salary exceeds statutory maximum salary of Executive Branch department heads.

CURRENT VERSION OF TEXT

As introduced.



A3008 O'SCANLON, DICICCO

2

1 AN ACT concerning the State's pension contributions to the
2 Alternate Benefit Program and amending P.L.1969, c.242.

3

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

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7 1. Section 8 of P.L.1969, c.242 (C.18A:66-174) is amended to
8 read as follows:

9 8. (a) The University of Medicine and Dentistry of New
10 Jersey, Rutgers, The State University and the New Jersey Institute
11 of Technology shall reduce the compensation of each participant in
12 the alternate benefit program and pay over to the insurers or mutual
13 fund companies for the benefit of the participant an employee
14 contribution for the retirement annuity contract or contracts equal to
15 5% of the participant's base salary. The intervals for deductions or
16 reductions and payments shall be determined by the respective
17 school governing bodies.

18 The Division of Pensions shall provide for reductions from the
19 compensation of each participant in the alternate benefit program
20 employed by the State and county colleges of an employee
21 contribution equal to 5% of the participant's base salary and pay this
22 amount to the insurers or mutual fund companies for the
23 individual's retirement annuity contract or contracts. The intervals
24 for deductions or reductions and payments shall be determined by
25 the Division of Pensions.

26 The Division of Pensions may require that all participant
27 contributions be made in accordance with section 414(h) of the
28 federal Internal Revenue Code (26 U.S.C. s.414(h)).

29 (b) Based on a certification to the Division of Pensions by the
30 University of Medicine and Dentistry of New Jersey, Rutgers, The
31 State University and the New Jersey Institute of Technology of the
32 number and base salary of participants, the division shall authorize
33 the State to make payment of the employer contributions to the
34 alternate benefit program at a rate equal to 8% of the employee's
35 base salary, except the amount of the contribution shall not exceed
36 8% of the maximum salary for department officers established
37 pursuant to section 1 of (P.L.1974, c.55 (C.52:14-15.107)), which
38 moneys shall be paid to the designated insurers or mutual fund
39 companies for the benefit of each participant.

40 Based on a certification by the Division of Pensions of the
41 number and base salary of participants employed by the State and
42 county colleges, the State shall make payment of the employer
43 contributions to the alternate benefit program at a rate equal to 8%
44 of the employee's base salary, except the amount of the contribution

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

Matter underlined thus is new matter.

1 shall not exceed 8% of the maximum salary for department officers
2 established pursuant to section 1 of (P.L.1974, c.55 (C.52:14-
3 15.107), which moneys shall be paid to the designated insurers or
4 mutual fund companies for the benefit of each participant.

5 (c) For the member of the Public Employees' Retirement System
6 employed by the county colleges, who is defined in the regulations
7 of the Division of Pensions as a full-time faculty member and who
8 is permitted to transfer his membership and does so, the State shall
9 pay the employer contribution to the alternate benefit program at a
10 rate equal to 8% of the member's base salary, except the amount of
11 the contribution shall not exceed 8% of the maximum salary for
12 department officers established pursuant to section 1 of (P.L.1974,
13 c.55 (C.52:14-15.107). If the member continues membership in the
14 Public Employees' Retirement System, the State shall pay the
15 employer contribution to the retirement system on his behalf and
16 such employer contribution shall be at a rate equal to the normal
17 contribution made by the State on behalf of nonveteran members of
18 the Public Employees' Retirement System.

19 (d) For any nonacademic employee of a county college, as
20 defined in section 4 of P.L.1969, c.242 (C.18A:66-170), who is
21 eligible for the program according to the regulations of the Director
22 of the Division of Pensions, the county college shall pay the
23 employer contribution to the retirement system on the employee's
24 behalf in the same manner as the State, pursuant to this section.

25 (cf: P.L.1994, c.48, s.190)

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27 2. This act shall take effect on July 1, 2010.

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STATEMENT

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33 to the Alternate Benefit Program (ABP) by providing that there will
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35 of the statutory maximum salary of State cabinet officers.

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37 members are the faculty of New Jersey public institutions of higher
38 education. Currently, the State contributes 8% of the ABP
39 member's base salary and the member contributes 5%. The bill
40 provides that the State will contribute at a rate equal to 8% of the
41 member's base salary except the amount of the contribution may not
42 exceed 8% of the maximum salary for department officers as
43 established by law. N.J.S.A.52:14-15.107 sets the maximum annual
44 salary of department officers at \$141,000 for calendar year 2002
45 and thereafter.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3008

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 3008.

The bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by providing that there will be no contributions based on any portion of salary that is in excess of the statutory maximum salary of State cabinet officers.

The ABP is a defined contribution pension system whose members are the faculty of New Jersey public institutions of higher education. Currently, the State contributes 8% of the ABP member's base salary and the member contributes 5%. The bill provides that the State will contribute at a rate equal to 8% of the member's base salary except the amount of the contribution may not exceed 8% of the maximum salary for department officers as established by law. N.J.S.A.52:14-15.107 sets the maximum annual salary of department officers at \$141,000 for calendar year 2002 and thereafter.

FISCAL IMPACT:

The Office of Management and Budget estimates that the reduction in the employer contribution will provide savings to the State General Fund of \$2.453 million based on calculations using actual salaries provided by the colleges for their FY 2010 budgets.

The Office of Legislative Services notes that the reduction in the contribution applies only to the employer portion of the contribution. Employee contributions remain unchanged.

ASSEMBLY, No. 2979

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 21, 2010

Sponsored by:

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

Assemblyman DOMENICK DICICCO, JR.

District 4 (Camden and Gloucester)

SYNOPSIS

Limits State ABP contributions for higher education faculty whose salary exceeds statutory maximum salary of Executive Branch department heads.

CURRENT VERSION OF TEXT

As introduced.



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14 contribution for the retirement annuity contract or contracts equal to
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16 reductions and payments shall be determined by the respective
17 school governing bodies.

18 The Division of Pensions shall provide for reductions from the
19 compensation of each participant in the alternate benefit program
20 employed by the State and county colleges of an employee
21 contribution equal to 5% of the participant's base salary and pay this
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34 alternate benefit program at a rate equal to 8% of the employee's
35 base salary, except the amount of the contribution shall not exceed
36 8% of the maximum salary for department officers established
37 pursuant to section 1 of (P.L.1974, c.55 (C.52:14-15.107)), which
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41 number and base salary of participants employed by the State and
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2 15.107), which moneys shall be paid to the designated insurers or
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4 (c) For the member of the Public Employees' Retirement System
5 employed by the county colleges, who is defined in the regulations
6 of the Division of Pensions as a full-time faculty member and who
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9 rate equal to 8% of the member's base salary, except the amount of
10 the contribution shall not exceed 8% of the maximum salary for
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