



Bill and Sponsors Statement identical to S1310

Govt.) **COMMITTEE STATEMENT:** **ASSEMBLY:** Yes 3-22-01(State  
S1310 Identical to Senate Budget Com. statement for  
01(Appropriations) 6-4-

**SENATE:** No

**FLOOR AMENDMENT STATEMENTS:** No

**LEGISLATIVE FISCAL NOTE:** Yes

Identical to fiscal note for S1310

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

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# SENATE, No. 1310

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED MAY 18, 2000

**Sponsored by:**

**Senator ROBERT J. MARTIN**

**District 26 (Essex, Morris and Passaic)**

**Senator JAMES S. CAFIERO**

**District 1 (Cape May, Atlantic and Cumberland)**

**Co-Sponsored by:**

**Assemblywoman Murphy, Assemblymen Merkt, DeCroce, Biondi,  
Connors, Bateman, Gusciora and Assemblywoman Watson Coleman**

**SYNOPSIS**

Provides for aggregation of pension credit to qualify for paid SHBP benefits in retirement.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/22/2001)**

1 AN ACT concerning paid health benefits coverage for retirees under  
2 the State Health Benefits Program and amending various parts of  
3 the statutory law.

4

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

7

8 1. Section 6 of P.L.1996, c.8 (C52:14-17.28b) is amended to read  
9 as follows:

10 6. a. Notwithstanding the provisions of any other law to the  
11 contrary, the obligations of the State or an independent State  
12 authority, board, commission, corporation, agency, or organization to  
13 pay the premium or periodic charges for health benefits coverage  
14 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be  
15 determined by means of a binding collective negotiations agreement,  
16 including any agreements in force at the time of the adoption of  
17 P.L.1996, c.8. With respect to State employees for whom there is no  
18 majority representative for collective negotiations purposes, the  
19 commission may, in its sole discretion, modify the respective payment  
20 obligations set forth in P.L.1961, c.49 for the State and such  
21 employees in a manner consistent with the terms of any collective  
22 negotiations agreement binding on the State. With respect to  
23 employees of an independent State authority, board, commission,  
24 corporation, agency, or organization for whom there is no majority  
25 representative for collective negotiations purposes, the employer may,  
26 in its sole discretion, modify the respective payment obligations set  
27 forth in P.L.1961, c.49 for such employer and such employees in a  
28 manner consistent with the terms of any collective negotiations  
29 agreement binding on such employer. The provisions of this  
30 subsection shall also apply to employees deemed or considered to be  
31 employees of the State pursuant to subsection (c) of section 2 of  
32 P.L.1961, c.49 (C.52:14-17.26).

33 b. (1) Notwithstanding the provisions of any other law to the  
34 contrary, for each State employee who accrues 25 years of  
35 nonconcurrent service credit in [a State-administered retirement  
36 system] one or more State or locally-administered retirement systems  
37 before July 1, 1997, excepting the employee who elects deferred  
38 retirement, the State, upon the employee's retirement, shall pay the full  
39 cost of the premium or periodic charges for the health benefits  
40 provided to a retired State employee and dependents covered under  
41 the State Health Benefits Program, but not including survivors, and  
42 shall also reimburse the retired employee for premium charges under  
43 Part B of Medicare covering the retired employee and the employee's

**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 spouse.

2 (2) Notwithstanding the provisions of any other law to the  
3 contrary, for each State employee who accrues 25 years of  
4 nonconcurrent service credit in [a State-administered retirement  
5 system] one or more State or locally-administered retirement systems  
6 on or after July 1, 1997, excepting the employee who elects deferred  
7 retirement, the State, upon the employee's retirement, shall pay the  
8 premium or periodic charges for the health benefits provided to a  
9 retired State employee and dependents covered under the State Health  
10 Benefits Program, but not including survivors, and shall reimburse the  
11 retired employee for premium charges under Part B of Medicare  
12 covering the retired employee and the employee's spouse: (a) in  
13 accordance with the provisions, if any, concerning health benefits  
14 coverage in retirement which are in the collective negotiations  
15 agreement applicable to the employee at the time of the employee's  
16 accrual of 25 years of nonconcurrent service credit in [the retirement  
17 system] one or more State or locally-administered retirement systems,  
18 or (b) if the employee has no majority representative for collective  
19 negotiations purposes, in a manner consistent with the terms, if any,  
20 concerning health benefits coverage in retirement which are in any  
21 collective negotiations agreement deemed applicable by the State  
22 Health Benefits Commission to that employee at the time of the  
23 employee's accrual of 25 years of nonconcurrent service credit in [the  
24 retirement system] one or more State or locally-administered  
25 retirement systems.

26 (cf: P.L.1996, c.8, s.6)

27

28 2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read  
29 as follows:

30 8. a. The basic coverage and the major medical coverage of any  
31 employee, and [of his] the employee's dependents, if any, shall cease  
32 upon the discontinuance of [his] the term of office or employment or  
33 upon cessation of active full-time employment subject to such  
34 regulations as may be prescribed by the commission for limited  
35 continuance of basic coverage and major medical coverage during  
36 disability, part-time employment, leave of absence or lay off, and for  
37 continuance of basic coverage and major medical coverage after  
38 retirement, any such continuance after retirement to be provided at  
39 such rates and under such conditions as shall be prescribed by the  
40 commission, subject, however, to the requirements hereinafter set  
41 forth in this section. The commission may also establish regulations  
42 prescribing an extension of coverage when an employee or dependent  
43 is totally disabled at termination of coverage.

44 b. Rates payable by retired employees for themselves and their  
45 dependents, by active employees for dependents covered by medicare  
46 benefits, and by the State or other employer for an active employee

1 alone covered by medicare benefits, shall be determined on the basis  
2 of utilization experience according to classifications determined by the  
3 commission, provided, however, that the total rate payable by such  
4 retired employee for ~~[himself]~~ the employee and ~~[his]~~ the employee's  
5 dependents, or by such active employee for ~~[his]~~ the employee's  
6 dependents and the State or other employer for such active employee  
7 alone, for coverage hereunder and for Part B of medicare, shall not  
8 exceed by more than 25%, as determined by the commission, the total  
9 amount which would have been required to have been paid by ~~[him]~~  
10 the employee and by the State or other employer for the coverage  
11 maintained had ~~[he]~~ the employee continued in office or active  
12 employment and ~~[he]~~ the employee and ~~[his]~~ the employee's  
13 dependents were not eligible for medicare benefits. "Medicare" as  
14 used in this act means the coverage provided under Title XVIII of the  
15 Social Security Act as amended in 1965, or its successor plan or plans.

16 c. (1) From funds appropriated therefor, the State shall pay the  
17 premium or periodic charges for the benefits provided to a retired  
18 State employee and ~~[his]~~ the employee's dependents covered under  
19 the program, but not including survivors, if such employee retired  
20 from ~~[a State-administered retirement system]~~ one or more State or  
21 locally-administered retirement systems on a benefit or benefits based  
22 in the aggregate on 25 years or more of nonconcurrent service credited  
23 in ~~[such retirement system]~~ the retirement systems, excepting the  
24 employee who elected deferred retirement, but including the employee  
25 who retired on a disability pension based on fewer years of service  
26 credited in ~~[such retirement system]~~ the retirement systems and shall  
27 also reimburse such retired employee for ~~[his]~~ the premium charges  
28 under Part B of the federal medicare program covering the retired  
29 employee and the employee's spouse. In the case of full-time  
30 employees of the Rutgers University Cooperative Extension Service,  
31 service credited in the federal Civil Service Retirement System (5  
32 U.S.C.s.8331 et seq.) which was earned as a result of full-time  
33 employment at Rutgers University, may be considered alone or in  
34 combination with service credited in ~~[a State-administered retirement~~  
35 system] one or more State or locally-administered retirement systems  
36 for the purposes of establishing the minimum 25-year service  
37 requirement to qualify for the benefits provided in this section. Any  
38 full-time employee of the Rutgers University Cooperative Extension  
39 Service who meets the eligibility requirements set forth in this  
40 amendatory act shall be eligible for the benefits provided in this  
41 section, provided that at the time of retirement such employee was  
42 covered by the State Health Benefits Program and elected to continue  
43 such coverage into retirement.

44 (2) Notwithstanding the provisions of this section to the contrary,  
45 from funds appropriated therefor, the State shall pay the premium or

1 periodic charges for the benefits provided to a retired State employee  
2 and **[his]** the employee's dependents covered under the program, but  
3 not including survivors, if: (a) the employee retires on or after the  
4 effective date of this 1987 amendatory act; (b) the employee was  
5 employed by Rutgers University prior to January 2, 1955 and remained  
6 in continuous service with Rutgers University until retirement even  
7 though the employee (i) did not join a State-administered retirement  
8 system, or, (ii) became a member of a State-administered retirement  
9 system, but accumulated less than 25 years of credited service; and (c)  
10 the employee is covered by the program at the time of retirement.

11 (3) Notwithstanding the provisions of this section to the contrary,  
12 in the case of an employee of a State college, as described in chapter  
13 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
14 defined in N.J.S.18A:64A-1, service credited in a private defined  
15 contribution retirement plan which was earned as an employee of an  
16 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
17 (C.18A:64-27), at a State or county college shall be considered in  
18 combination with service credited in a State-administered retirement  
19 system for the purposes of establishing the minimum 25-year service  
20 requirement to qualify for the benefits provided in this section,  
21 provided that the employee is covered by the program at the time of  
22 retirement.

23 (4) Notwithstanding the provisions of this section to the contrary,  
24 from funds appropriated therefor, the State shall pay the premium or  
25 periodic charges for the benefits provided to a retired State employee  
26 and any dependents covered under the program, but not including  
27 survivors, if the employee: (a) retired prior to the effective date of this  
28 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
29 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
30 et seq.), with more than 20 but less than 25 years of service credit in  
31 the retirement system; (b) was subsequently employed by the State in  
32 another position or positions not covered by the State Police  
33 Retirement System; (c) has, in the aggregate, at least 30 years of  
34 full-time employment with the State; and (d) is covered by the  
35 program at the time of terminating full-time employment with the  
36 State.

37 (cf: P.L.1997, c.335, s.1)

38

39 3. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended to  
40 read as follows:

41 2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f)  
42 shall apply to:

43 a. any employee of a board of education who retires on a benefit  
44 or benefits based in the aggregate upon 25 or more years of  
45 nonconcurrent service credit in **[the Public Employees' Retirement**  
46 **System (P.L.1954, c.84; C.43:15A-1 et seq.)]** one or more State or

1 locally-administered retirement systems, or retires on a disability  
2 pension based upon fewer years of service credit in that system or  
3 systems, or elected deferred retirement based in the aggregate upon 25  
4 or more years of nonconcurrent service credit in one or more State or  
5 locally-administered retirement systems and receives a retirement  
6 allowance from that system or systems;

7 b. any employee of a county college who retires on a benefit or  
8 benefits based in the aggregate upon 25 or more years of  
9 nonconcurrent service credit in [the Public Employees' Retirement  
10 System (P.L.1954, c.84; C.43:15A-1 et seq.)] one or more State or  
11 locally-administered retirement systems, or retires on a disability  
12 pension based upon fewer years of service credit in that system or  
13 systems, or elected deferred retirement based in the aggregate upon 25  
14 or more years of nonconcurrent service credit in one or more State or  
15 locally-administered retirement systems and receives a retirement  
16 allowance from that system or systems; or [who retires on a benefit  
17 based upon 25 or more years of service credit in the alternate benefit  
18 program (P.L.1969, c.242; C.18A:66-167 et seq.), or] who receives  
19 a disability benefit pursuant to section 18 of P.L.1969, c.242  
20 (C.18A:66-184); and

21 c. any employee of a county college who retires on a benefit based  
22 upon 10 or more years of service credit in the alternate benefit  
23 program (P.L.1969, c.242; C.18A:66-167 et seq.) and who has  
24 additional years of service credited in another defined contribution  
25 retirement program as an employee of a private institution of higher  
26 education which, under contract with a county government, provided  
27 services as a county college and subsequently merged with a county  
28 technical institute to become a county college, which additional years  
29 of service when added to the service credited in the alternate benefit  
30 program totals 25 or more years and any such employee who retired  
31 prior to the effective date of P.L.1999, c.382 if the employee applies  
32 to the program for coverage within one year after the effective date of  
33 P.L.1999, c.382[, except that the].

34 The costs of the premium or periodic charges for the benefits and  
35 reimbursement of medicare premiums provided to a retiree and the  
36 dependents of the retiree under this section shall be paid by the State.  
37 (cf: P.L.1999, c.382, s.1)

38  
39 4. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to  
40 read as follows:

41 7. a. The Division of Pensions and Benefits shall certify to the  
42 certifying agent of each employer electing participation under the  
43 program the premium rates and periodic charges applicable to the  
44 coverage provided for employees and dependents. The participating  
45 employer shall remit to the division all contributions to premiums and  
46 periodic charges in advance of their due dates, subject to the rules and



1 regulations of the commission.

2 b. (1) From funds allocated therefor, the employer other than the  
3 State, upon the adoption and submission to the division of an  
4 appropriate resolution prescribed by the commission, may pay the  
5 premium or periodic charges for the benefits provided to a retired  
6 employee and the employee's dependents covered under the program,  
7 if the employee retired from a State or locally-administered retirement  
8 system, excepting the employee who elected deferred retirement, and  
9 [met the eligibility requirements for employer payment of premiums  
10 or periodic charges for health benefits coverage for retirees pursuant  
11 to N.J.S.40A:10-23, as amended, and] may also reimburse the retired  
12 employee for the employee's premium charges under Part B of  
13 Medicare covering the retired employee and the employee's spouse if  
14 the employee:

15 (a) retired on a disability pension; or

16 (b) retired after 25 or more years of nonconcurrent service credit  
17 in one or more State or locally-administered retirement systems and a  
18 period of service of up to 25 years with the employer at the time of  
19 retirement, such period of service to be determined by the employer  
20 and set forth in an ordinance or resolution as appropriate; or

21 (c) retired and reached the age of 65 years or older with 25 years  
22 or more of nonconcurrent service credit in one or more State or  
23 locally-administered retirement systems and a period of service of up  
24 to 25 years with the employer at the time of retirement, such period of  
25 service to be determined by the employer and set forth in an ordinance  
26 or resolution as appropriate; or

27 (d) retired and reached the age of 62 years or older with at least 15  
28 years of service with the employer.

29 "Retired employee and the employee's dependents" may, upon  
30 adoption of an appropriate resolution therefor by the participating  
31 employer, also include otherwise eligible employees, and their  
32 dependents, who retired from [a State or locally-administered  
33 retirement system] one or more State or locally-administered  
34 retirement systems prior to the date that the employer became a  
35 participating employer in the New Jersey State Health Benefits  
36 Program or who did not elect to continue coverage in the program  
37 during such time after the employer became a participating employer  
38 that the employer did not pay premium or periodic charges for benefits  
39 to retired employees and their dependents pursuant to this section.  
40 Eligibility and enrollment of such employees and dependents shall be  
41 in accordance with such rules and regulations as may be adopted by  
42 the State Health Benefits Commission.

43 The employer other than the State may, by resolution, pay the  
44 premium or periodic charges for the benefits provided to the surviving  
45 spouse of a retired employee and the employee's dependents covered  
46 under the program as provided in this section.

1 (2) Notwithstanding the provisions of any other law to the  
2 contrary, the obligations of an employer other than the State, except  
3 an independent State authority, board, commission, corporation,  
4 agency, or organization deemed to be covered by section 6 of  
5 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose  
6 employees are covered by section 3 of P.L.1987, c.384  
7 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and  
8 section 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium  
9 or periodic charges for health benefits coverage under the provisions  
10 of paragraph (1) may be determined by means of a binding collective  
11 negotiations agreement, including any agreement in force at the time  
12 of the adoption of this act, P.L.1999, c.48. With respect to employees  
13 for whom there is no majority representative for collective  
14 negotiations purposes, the employer may, in its sole discretion,  
15 determine the payment obligations for the employer and the  
16 employees, except that if there are collective negotiations agreements  
17 binding upon the employer for employees who are within the same  
18 community of interest as employees in a collective negotiations unit  
19 but are excluded from participation in the unit by the "New Jersey  
20 Employer-Employee Relations Act," P.L.1941, c.100 (C.34:13A-1 et  
21 seq.), the payment obligations shall be determined in a manner  
22 consistent with the terms of any collective negotiations agreement  
23 applicable to the collective negotiations unit.

24 c. Notwithstanding the provisions of any other law to the contrary,  
25 the payment obligations of an employee of an employer other than the  
26 State, except an independent State authority, board, commission,  
27 corporation, agency, or organization, for health benefits coverage  
28 under subsection b. shall be the payment obligations applicable to the  
29 employee on the date the employee retires on a disability pension or  
30 the date the employee meets the service credit and service  
31 requirements for the employer payment for the coverage, as the case  
32 may be.

33 (cf: P.L.1999, c.48, s.1)

34

35 5. This act shall take effect immediately.

36

37

38

#### STATEMENT

39

40 The bill amends the statutes governing a retiree's eligibility for paid  
41 coverage under the State Health Benefits Program (SHBP). Existing  
42 law provides that to qualify for such coverage, a State employee (other  
43 than one retiring on a disability pension) must have accrued 25 years  
44 of service credit in a single State-administered retirement system. The  
45 State will also pay for retiree health benefits for a board of education  
46 or county college employee who has 25 years of service credit in the

**S1310 MARTIN, CAFIERO**

9

1 Public Employees' Retirement System or the Alternate Benefit  
2 Program. A local government unit in SHBP may choose to provide  
3 post-retirement medical coverage to its retirees, but with certain  
4 exceptions, a local government retiree must have accrued 25 years of  
5 creditable service in a single State or locally-administered retirement  
6 system to qualify.

7 This bill provides that instead of having to meet the 25-year service  
8 credit requirement in a single State or locally-administered retirement  
9 system, a public employee under SHBP may receive this benefit if the  
10 25 years of service credit is in one or more State or locally-  
11 administered retirement systems.

# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### **SENATE, No. 1310**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 14, 2000

The Senate State Government Committee reports favorably Senate, No. 1310.

The bill amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Existing law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have accrued 25 years of service credit in a single State-administered retirement system. The State will also pay for retiree health benefits for a board of education or county college employee who has 25 years of service credit in the Public Employees' Retirement System or the Alternate Benefit Program. A local government unit in SHBP may choose to provide post-retirement medical coverage to its retirees, but with certain exceptions, a local government retiree must have accrued 25 years of creditable service in a single State or locally-administered retirement system to qualify.

This bill provides that instead of having to meet the 25-year service credit requirement in a single State or locally-administered retirement system, a public employee under SHBP may receive this benefit if the 25 years of service credit is in one or more State or locally-administered retirement systems.

The Pension and Health Benefits Review Commission recommended enactment of this legislation at its November 3, 2000 meeting.

Senate, No. 1310 is the same as Assembly, No. 3024.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 1310

# STATE OF NEW JERSEY

DATED: FEBRUARY 26, 2001

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1310.

This bill would permit certain public employees, presently unable to do so, to combine pension credit accumulated in two or more public pension systems for purposes of establishing eligibility after retirement for paid coverage under the State Health Benefits Program (SHBP).

Since 1972, State employees covered by SHBP who retire from a State-administered retirement system on a benefit based on at least 25 years' service credited in the system have been eligible for State-paid continuation of coverage during their retirement. (Initially, the State was responsible for the full cost of the coverage; legislation enacted in 1996 provided for a sharing of the cost between the State and the retiree.) Under other legislation, the State became responsible for funding post-retirement SHBP coverage for board of education and county college employees with 25 years' public pension system credit. And a local government unit in SHBP may choose to provide post-retirement medical coverage to its retirees who meet the same pensionable service (or pensionable-service-plus-age) requirements applicable under a separate statute authorizing employer-paid post-retirement coverage under a local self-insurance health plan.

In each case, the service credit that an retiree needs to qualify for paid SHBP coverage must have been accrued in a single public pension system; in all cases except that of the local government employee, the system must have been one of the State-administered systems.

This bill provides that a public employee eligible for paid post-retirement SHBP coverage upon completion of a minimum period of service creditable in a public pension system may, for purposes of meeting the requirement, combine credit for nonconcurrent service accrued in two or more such systems. The bill would also delete any provision limiting the kind of public pension system in which the credit could accrue to State-administered systems.

The Pension and Health Benefits Review Commission recommended enactment of this legislation at its November 3, 2000 meeting.

#### FISCAL IMPACT

The Office of Legislative Services advises that this bill will increase

State costs by an indeterminate amount, based on the number of additional State employees and employees of local boards of education and county colleges that would qualify for health benefits upon their retirement. While the number of qualifying employees is not known, it is likely that the fiscal impact of this legislation will be minimal because the additional benefits would apply only to those relatively few individuals with a career compassing 25 or more years of retirement service credit in two or more State or locally administered pension systems. (Employees who have transferred retirement service credit from one plan to another already qualify for this benefit.) Qualifying State employees and their spouses will be entitled to receive health benefits and Medicare reimbursements as specified in the current collective bargaining agreement in effect at the time of their retirement. Employees of local boards of education and county colleges, as well as State employees who have served 25 years prior to July 1, 1997, will receive health benefit coverage fully paid by the State, as well as Medicare reimbursements.

Local expenditures could also increase by an indeterminate amount because the bill allows local employers to pay health premiums and Medicare reimbursements for employees who have served 25 years in more than one State or locally administered retirement system. Again, the cost to local employers is believed to be minimal based on the limited number of individuals who will likely qualify for additional benefits. Decisions regarding health coverage of local employees in retirement are determined by local employers, and therefore any increased costs to those employers resulting from the enactment of this bill will be discretionary.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

**SENATE, No. 1310**

**STATE OF NEW JERSEY**

DATED: JUNE 4, 2001

The Assembly Appropriations Committee reports favorably Senate Bill No. 1310.

Senate Bill No. 1310 amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Current law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have accrued 25 years of service credit in a single State-administered retirement system. The State also pays the cost of SHBP benefits for a board of education or county college retiree who has 25 or more years of service credit in the Public Employees' Retirement System or in the Alternate Benefit Program. A local government unit participating in SHBP may choose to provide SHBP benefits to its retirees but, with certain exceptions, the retirees must have accrued 25 or more years of service credit in a single State or locally-administered retirement system to qualify.

This bill changes these post-retirement SHBP benefit eligibility requirements from the current 25 or more years of service credit in a single State or locally-administered retirement system to 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems.

The Pension and Health Benefits Review Commission recommended enactment of this legislation on November 3, 2000.

This bill is identical to Assembly Bill No. 3024 of 2000.

**FISCAL IMPACT:**

In the fiscal note on this subject, the Division of Pensions and Benefits estimated a first year cost of \$527,000 to the State, of which \$500,000 is administrative expenses, and \$5,000 possible local cost. The cost the second year is estimated at \$70,000 (State-\$59,000; Local-\$11,000) and in the third year \$117,000 (State-\$98,000; Local-\$19,000). The annual cost is based on the current health retirement benefit subsidy of \$5,000 per employee with 25 years of service.

**FISCAL NOTE**  
**SENATE No. 1310**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JUNE 14, 2001

**SUMMARY**

**Synopsis:** Provides for aggregation of pension credit to qualify for paid health benefits in retirement.

**Type of Impact:** State expenditure increase (all funds), and potential local expenditure increase.

**Agencies Affected:** Department of Treasury and local government employers who participate in State Health Benefits Program (SHBP).

**Executive Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	\$527,000	\$59,000	\$98,000
<b>Local Cost</b>	\$5,000	\$11,000	\$19,000

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! Allows State employees who have accrued 25 years of service time in more than one State or locally administered retirement system to be eligible for the same health benefits and Medicare reimbursements currently afforded to employees who have accumulated 25 years of service time in a single State-administered retirement system.
- ! Provides that local boards of education employees and employees of county colleges who have accrued an aggregate 25 years of service time in more than one State or locally administered retirement system will receive State-paid health benefits and Medicare reimbursements.
- ! Provides that local employers may pay for health benefits for retirees who have accrued an aggregate of 25 years of service time in more than one State or locally administered retirement system.

**BILL DESCRIPTION**

Senate Bill No. 1310 of 2000 amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Existing law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have



accrued 25 years of service credit in a single State-administered retirement system. The State also pays for retiree health benefits for a board of education or county college employee who has 25 years of service credit in the Public Employees' Retirement System or the Alternate Benefit Program. A local government unit in SHBP may choose to provide post-retirement medical coverage to its retirees, but with certain exceptions, a local government retiree must have accrued 25 years of creditable service in a single State or locally-administered retirement system to qualify.

This bill provides that instead of having to meet the 25-year service credit requirement in a single State or locally-administered retirement system, a public employee under SHBP may receive this benefit if the 25 years of service credit is in one or more State or locally-administered retirement systems.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Department of Treasury, Division of Pensions and Benefits estimates that if the bill had been applicable law in FY 2001, State expenditures would have increased by \$527,000 and local expenditures would have increased by \$5,000. In fiscal years 2002 and 2003, the estimated total (State and local) cost would be \$70,000 and \$117,000, respectively.

The division's estimate assumes the following:

- ! In FY 2001, a one-time administrative expense of \$500,000 would be necessary to make changes to the division's member database.
- ! In FY 2001, five additional State employees and one additional local employee would become eligible for SHBP benefits under the provisions of the bill. The current annual subsidy is approximately \$5,000 per employee.
- ! An additional five State employees and one local employee would become eligible in each future fiscal year. FY 2002 and 2003 estimates reflect the cumulative cost of providing health benefits to an increasing number of eligible State and local employees.
- ! Ten percent annual inflation in the cost of health benefits is assumed for FY 2002 and 2003.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) concurs with the Executive estimate. The Office of Legislative Services advises that the State cost of this bill will depend on the number of additional State employees and employees of local boards of education and county colleges who would qualify for health benefits upon their retirement. While the actual number of employees that will qualify for additional benefits is not known, it is likely that the fiscal impact of this legislation will be minimal because the additional benefits would apply only to those individuals with a career path yielding 25 or more years of retirement service credits in two or more State or locally administered pension systems. Employees who transfer retirement service credit from one plan to another already qualify for this benefit.

Qualifying State employees and their dependents will be entitled to receive health benefits

and Medicare reimbursements as specified in the current collective bargaining agreement in effect at the time of their retirement. Employees of local boards of education and county colleges, as well as State employees who have served 25 years prior to July 1, 1997, will receive health benefit coverage fully paid by the State, as well as Medicare reimbursements.

For example, higher education faculty who have participated in the Alternate Benefits Program (ABP) could receive additional benefits if this legislation is enacted. Because the ABP is a defined contribution plan, service time for retirement purposes is not transferable to another State or local defined benefit plan. Under the provisions of this bill, however, an employee who has participated in the ABP will be able to receive credit for health benefit purposes if they have accumulated service time in a second State or locally administered retirement system and the aggregate of service time is at least 25 years.

Local expenditures could also increase because the bill allows local employers to pay health premiums and Medicare reimbursements for employees who have served 25 years in more than one State or locally administered retirement system. Again, the cost to local employers is believed to be minimal based on the limited number of individuals who will likely qualify for additional benefits. Decisions regarding health coverage of local employees in retirement are determined by local employers, and therefore any additional costs that result from this bill will be discretionary.

Section: *State Government*

Analyst: *Julie M. McDonnell*  
*Senior Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.

# ASSEMBLY, No. 3024

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED DECEMBER 7, 2000

**Sponsored by:**

**Assemblywoman CAROL J. MURPHY**

**District 26 (Essex, Morris and Passaic)**

**Assemblyman RICK MERKT**

**District 25 (Morris)**

**Co-Sponsored by:**

**Assemblymen DeCroce, Biondi, Connors, Bateman, Gusciora and**

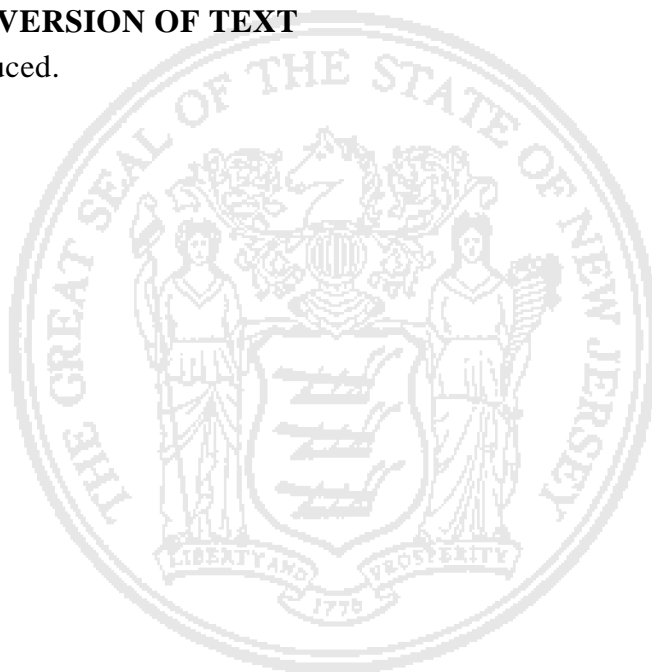
**Assemblywoman Watson Coleman**

**SYNOPSIS**

Provides for aggregation of pension credit to qualify for paid SHBP benefits in retirement.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/22/2001)**

A3024 MURPHY, MERKT

2

1 AN ACT concerning paid health benefits coverage for retirees under  
2 the State Health Benefits Program and amending various parts of  
3 the statutory law.

4

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

7

8 1. Section 6 of P.L.1996, c.8 (C52:14-17.28b) is amended to read  
9 as follows:

10 6. a. Notwithstanding the provisions of any other law to the  
11 contrary, the obligations of the State or an independent State  
12 authority, board, commission, corporation, agency, or organization to  
13 pay the premium or periodic charges for health benefits coverage  
14 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be  
15 determined by means of a binding collective negotiations agreement,  
16 including any agreements in force at the time of the adoption of  
17 P.L.1996, c.8. With respect to State employees for whom there is no  
18 majority representative for collective negotiations purposes, the  
19 commission may, in its sole discretion, modify the respective payment  
20 obligations set forth in P.L.1961, c.49 for the State and such  
21 employees in a manner consistent with the terms of any collective  
22 negotiations agreement binding on the State. With respect to  
23 employees of an independent State authority, board, commission,  
24 corporation, agency, or organization for whom there is no majority  
25 representative for collective negotiations purposes, the employer may,  
26 in its sole discretion, modify the respective payment obligations set  
27 forth in P.L.1961, c.49 for such employer and such employees in a  
28 manner consistent with the terms of any collective negotiations  
29 agreement binding on such employer. The provisions of this  
30 subsection shall also apply to employees deemed or considered to be  
31 employees of the State pursuant to subsection (c) of section 2 of  
32 P.L.1961, c.49 (C.52:14-17.26).

33 b. (1) Notwithstanding the provisions of any other law to the  
34 contrary, for each State employee who accrues 25 years of  
35 nonconcurrent service credit in [a State-administered retirement  
36 system] one or more State or locally-administered retirement systems  
37 before July 1, 1997, excepting the employee who elects deferred  
38 retirement, the State, upon the employee's retirement, shall pay the full  
39 cost of the premium or periodic charges for the health benefits  
40 provided to a retired State employee and dependents covered under  
41 the State Health Benefits Program, but not including survivors, and  
42 shall also reimburse the retired employee for premium charges under

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

**Matter underlined thus is new matter.**

1 Part B of Medicare covering the retired employee and the employee's  
2 spouse.

3 (2) Notwithstanding the provisions of any other law to the  
4 contrary, for each State employee who accrues 25 years of  
5 nonconcurrent service credit in [a State-administered retirement  
6 system] one or more State or locally-administered retirement systems  
7 on or after July 1, 1997, excepting the employee who elects deferred  
8 retirement, the State, upon the employee's retirement, shall pay the  
9 premium or periodic charges for the health benefits provided to a  
10 retired State employee and dependents covered under the State Health  
11 Benefits Program, but not including survivors, and shall reimburse the  
12 retired employee for premium charges under Part B of Medicare  
13 covering the retired employee and the employee's spouse: (a) in  
14 accordance with the provisions, if any, concerning health benefits  
15 coverage in retirement which are in the collective negotiations  
16 agreement applicable to the employee at the time of the employee's  
17 accrual of 25 years of nonconcurrent service credit in [the retirement  
18 system] one or more State or locally-administered retirement systems,  
19 or (b) if the employee has no majority representative for collective  
20 negotiations purposes, in a manner consistent with the terms, if any,  
21 concerning health benefits coverage in retirement which are in any  
22 collective negotiations agreement deemed applicable by the State  
23 Health Benefits Commission to that employee at the time of the  
24 employee's accrual of 25 years of nonconcurrent service credit in [the  
25 retirement system] one or more State or locally-administered  
26 retirement systems.

27 (cf: P.L.1996, c.8, s.6)

28

29 2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read  
30 as follows:

31 8. a. The basic coverage and the major medical coverage of any  
32 employee, and [of his] the employee's dependents, if any, shall cease  
33 upon the discontinuance of [his] the term of office or employment or  
34 upon cessation of active full-time employment subject to such  
35 regulations as may be prescribed by the commission for limited  
36 continuance of basic coverage and major medical coverage during  
37 disability, part-time employment, leave of absence or lay off, and for  
38 continuance of basic coverage and major medical coverage after  
39 retirement, any such continuance after retirement to be provided at  
40 such rates and under such conditions as shall be prescribed by the  
41 commission, subject, however, to the requirements hereinafter set  
42 forth in this section. The commission may also establish regulations  
43 prescribing an extension of coverage when an employee or dependent  
44 is totally disabled at termination of coverage.

45 b. Rates payable by retired employees for themselves and their  
46 dependents, by active employees for dependents covered by medicare

1 benefits, and by the State or other employer for an active employee  
2 alone covered by medicare benefits, shall be determined on the basis  
3 of utilization experience according to classifications determined by the  
4 commission, provided, however, that the total rate payable by such  
5 retired employee for ~~[himself]~~ the employee and ~~[his]~~ the employee's  
6 dependents, or by such active employee for ~~[his]~~ the employee's  
7 dependents and the State or other employer for such active employee  
8 alone, for coverage hereunder and for Part B of medicare, shall not  
9 exceed by more than 25%, as determined by the commission, the total  
10 amount which would have been required to have been paid by ~~[him]~~  
11 the employee and by the State or other employer for the coverage  
12 maintained had ~~[he]~~ the employee continued in office or active  
13 employment and ~~[he]~~ the employee and ~~[his]~~ the employee's  
14 dependents were not eligible for medicare benefits. "Medicare" as  
15 used in this act means the coverage provided under Title XVIII of the  
16 Social Security Act as amended in 1965, or its successor plan or plans.

17 c. (1) From funds appropriated therefor, the State shall pay the  
18 premium or periodic charges for the benefits provided to a retired  
19 State employee and ~~[his]~~ the employee's dependents covered under  
20 the program, but not including survivors, if such employee retired  
21 from ~~[a State-administered retirement system]~~ one or more State or  
22 locally-administered retirement systems on a benefit ~~or benefits~~ based  
23 in the aggregate on 25 years or more of nonconcurrent service credited  
24 in ~~[such retirement system]~~ the retirement systems, excepting the  
25 employee who elected deferred retirement, but including the employee  
26 who retired on a disability pension based on fewer years of service  
27 credited in ~~[such retirement system]~~ the retirement systems and shall  
28 also reimburse such retired employee for ~~[his]~~ the premium charges  
29 under Part B of the federal medicare program covering the retired  
30 employee and the employee's spouse. In the case of full-time  
31 employees of the Rutgers University Cooperative Extension Service,  
32 service credited in the federal Civil Service Retirement System (5  
33 U.S.C.s.8331 et seq.) which was earned as a result of full-time  
34 employment at Rutgers University, may be considered alone or in  
35 combination with service credited in ~~[a State-administered retirement~~  
36 ~~system]~~ one or more State or locally-administered retirement systems  
37 for the purposes of establishing the minimum 25-year service  
38 requirement to qualify for the benefits provided in this section. Any  
39 full-time employee of the Rutgers University Cooperative Extension  
40 Service who meets the eligibility requirements set forth in this  
41 amendatory act shall be eligible for the benefits provided in this  
42 section, provided that at the time of retirement such employee was  
43 covered by the State Health Benefits Program and elected to continue  
44 such coverage into retirement.

45 (2) Notwithstanding the provisions of this section to the contrary,

1 from funds appropriated therefor, the State shall pay the premium or  
2 periodic charges for the benefits provided to a retired State employee  
3 and [his] the employee's dependents covered under the program, but  
4 not including survivors, if: (a) the employee retires on or after the  
5 effective date of this 1987 amendatory act; (b) the employee was  
6 employed by Rutgers University prior to January 2, 1955 and remained  
7 in continuous service with Rutgers University until retirement even  
8 though the employee (i) did not join a State-administered retirement  
9 system, or, (ii) became a member of a State-administered retirement  
10 system, but accumulated less than 25 years of credited service; and (c)  
11 the employee is covered by the program at the time of retirement.

12 (3) Notwithstanding the provisions of this section to the contrary,  
13 in the case of an employee of a State college, as described in chapter  
14 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
15 defined in N.J.S.18A:64A-1, service credited in a private defined  
16 contribution retirement plan which was earned as an employee of an  
17 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
18 (C.18A:64-27), at a State or county college shall be considered in  
19 combination with service credited in a State-administered retirement  
20 system for the purposes of establishing the minimum 25-year service  
21 requirement to qualify for the benefits provided in this section,  
22 provided that the employee is covered by the program at the time of  
23 retirement.

24 (4) Notwithstanding the provisions of this section to the contrary,  
25 from funds appropriated therefor, the State shall pay the premium or  
26 periodic charges for the benefits provided to a retired State employee  
27 and any dependents covered under the program, but not including  
28 survivors, if the employee: (a) retired prior to the effective date of this  
29 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
30 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
31 et seq.), with more than 20 but less than 25 years of service credit in  
32 the retirement system; (b) was subsequently employed by the State in  
33 another position or positions not covered by the State Police  
34 Retirement System; (c) has, in the aggregate, at least 30 years of  
35 full-time employment with the State; and (d) is covered by the  
36 program at the time of terminating full-time employment with the  
37 State.

38 (cf: P.L.1997, c.335, s.1)

39

40 3. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended to  
41 read as follows:

42 2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f)  
43 shall apply to:

44 a. any employee of a board of education who retires on a benefit  
45 or benefits based in the aggregate upon 25 or more years of  
46 nonconcurrent service credit in [the Public Employees' Retirement

1 System (P.L.1954, c.84; C.43:15A-1 et seq.)] one or more State or  
2 locally-administered retirement systems, or retires on a disability  
3 pension based upon fewer years of service credit in that system or  
4 systems, or elected deferred retirement based in the aggregate upon 25  
5 or more years of nonconcurrent service credit in one or more State or  
6 locally-administered retirement systems and receives a retirement  
7 allowance from that system or systems;

8 b. any employee of a county college who retires on a benefit or  
9 benefits based in the aggregate upon 25 or more years of  
10 nonconcurrent service credit in [the Public Employees' Retirement  
11 System (P.L.1954, c.84; C.43:15A-1 et seq.)] one or more State or  
12 locally-administered retirement systems, or retires on a disability  
13 pension based upon fewer years of service credit in that system or  
14 systems, or elected deferred retirement based in the aggregate upon 25  
15 or more years of nonconcurrent service credit in one or more State or  
16 locally-administered retirement systems and receives a retirement  
17 allowance from that system or systems; or [who retires on a benefit  
18 based upon 25 or more years of service credit in the alternate benefit  
19 program (P.L.1969, c.242; C.18A:66-167 et seq.), or] who receives  
20 a disability benefit pursuant to section 18 of P.L.1969, c.242  
21 (C.18A:66-184); and

22 c. any employee of a county college who retires on a benefit based  
23 upon 10 or more years of service credit in the alternate benefit  
24 program (P.L.1969, c.242; C.18A:66-167 et seq.) and who has  
25 additional years of service credited in another defined contribution  
26 retirement program as an employee of a private institution of higher  
27 education which, under contract with a county government, provided  
28 services as a county college and subsequently merged with a county  
29 technical institute to become a county college, which additional years  
30 of service when added to the service credited in the alternate benefit  
31 program totals 25 or more years and any such employee who retired  
32 prior to the effective date of P.L.1999, c.382 if the employee applies  
33 to the program for coverage within one year after the effective date of  
34 P.L.1999, c.382[, except that the].

35 The costs of the premium or periodic charges for the benefits and  
36 reimbursement of medicare premiums provided to a retiree and the  
37 dependents of the retiree under this section shall be paid by the State.  
38 (cf: P.L.1999, c.382, s.1)

39

40 4. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to  
41 read as follows:

42 7. a. The Division of Pensions and Benefits shall certify to the  
43 certifying agent of each employer electing participation under the  
44 program the premium rates and periodic charges applicable to the  
45 coverage provided for employees and dependents. The participating  
46 employer shall remit to the division all contributions to premiums and



1 periodic charges in advance of their due dates, subject to the rules and  
2 regulations of the commission.

3 b. (1) From funds allocated therefor, the employer other than the  
4 State, upon the adoption and submission to the division of an  
5 appropriate resolution prescribed by the commission, may pay the  
6 premium or periodic charges for the benefits provided to a retired  
7 employee and the employee's dependents covered under the program,  
8 if the employee retired from a State or locally-administered retirement  
9 system, excepting the employee who elected deferred retirement, and  
10 [met the eligibility requirements for employer payment of premiums  
11 or periodic charges for health benefits coverage for retirees pursuant  
12 to N.J.S.40A:10-23, as amended, and] may also reimburse the retired  
13 employee for the employee's premium charges under Part B of  
14 Medicare covering the retired employee and the employee's spouse if  
15 the employee:

16 (a) retired on a disability pension; or

17 (b) retired after 25 or more years of nonconcurrent service credit  
18 in one or more State or locally-administered retirement systems and a  
19 period of service of up to 25 years with the employer at the time of  
20 retirement, such period of service to be determined by the employer  
21 and set forth in an ordinance or resolution as appropriate; or

22 (c) retired and reached the age of 65 years or older with 25 years  
23 or more of nonconcurrent service credit in one or more State or  
24 locally-administered retirement systems and a period of service of up  
25 to 25 years with the employer at the time of retirement, such period of  
26 service to be determined by the employer and set forth in an ordinance  
27 or resolution as appropriate; or

28 (d) retired and reached the age of 62 years or older with at least 15  
29 years of service with the employer.

30 "Retired employee and the employee's dependents" may, upon  
31 adoption of an appropriate resolution therefor by the participating  
32 employer, also include otherwise eligible employees, and their  
33 dependents, who retired from [a State or locally-administered  
34 retirement system] one or more State or locally-administered  
35 retirement systems prior to the date that the employer became a  
36 participating employer in the New Jersey State Health Benefits  
37 Program or who did not elect to continue coverage in the program  
38 during such time after the employer became a participating employer  
39 that the employer did not pay premium or periodic charges for benefits  
40 to retired employees and their dependents pursuant to this section.  
41 Eligibility and enrollment of such employees and dependents shall be  
42 in accordance with such rules and regulations as may be adopted by  
43 the State Health Benefits Commission.

44 The employer other than the State may, by resolution, pay the  
45 premium or periodic charges for the benefits provided to the surviving  
46 spouse of a retired employee and the employee's dependents covered

1 under the program as provided in this section.

2 (2) Notwithstanding the provisions of any other law to the  
3 contrary, the obligations of an employer other than the State, except  
4 an independent State authority, board, commission, corporation,  
5 agency, or organization deemed to be covered by section 6 of  
6 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose  
7 employees are covered by section 3 of P.L.1987, c.384  
8 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and  
9 section 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium  
10 or periodic charges for health benefits coverage under the provisions  
11 of paragraph (1) may be determined by means of a binding collective  
12 negotiations agreement, including any agreement in force at the time  
13 of the adoption of this act, P.L.1999, c.48. With respect to employees  
14 for whom there is no majority representative for collective  
15 negotiations purposes, the employer may, in its sole discretion,  
16 determine the payment obligations for the employer and the  
17 employees, except that if there are collective negotiations agreements  
18 binding upon the employer for employees who are within the same  
19 community of interest as employees in a collective negotiations unit  
20 but are excluded from participation in the unit by the "New Jersey  
21 Employer-Employee Relations Act," P.L.1941, c.100 (C.34:13A-1 et  
22 seq.), the payment obligations shall be determined in a manner  
23 consistent with the terms of any collective negotiations agreement  
24 applicable to the collective negotiations unit.

25 c. Notwithstanding the provisions of any other law to the contrary,  
26 the payment obligations of an employee of an employer other than the  
27 State, except an independent State authority, board, commission,  
28 corporation, agency, or organization, for health benefits coverage  
29 under subsection b. shall be the payment obligations applicable to the  
30 employee on the date the employee retires on a disability pension or  
31 the date the employee meets the service credit and service  
32 requirements for the employer payment for the coverage, as the case  
33 may be.

34 (cf: P.L.1999, c.48, s.1)

35

36 5. This act shall take effect immediately.

37

38

39 STATEMENT

40

41 The bill amends the statutes governing a retiree's eligibility for paid  
42 coverage under the State Health Benefits Program (SHBP). Existing  
43 law provides that to qualify for such coverage, a State employee (other  
44 than one retiring on a disability pension) must have accrued 25 years  
45 of service credit in a single State-administered retirement system. The  
46 State will also pay for retiree health benefits for a board of education

**A3024 MURPHY, MERKT**

1 or county college employee who has 25 years of service credit in the  
2 Public Employees' Retirement System or the Alternate Benefit  
3 Program. A local government unit in SHBP may choose to provide  
4 post-retirement medical coverage to its retirees, but with certain  
5 exceptions, a local government retiree must have accrued 25 years of  
6 creditable service in a single State or locally-administered retirement  
7 system to qualify.

8 This bill provides that instead of having to meet the 25-year service  
9 credit requirement in a single State or locally-administered retirement  
10 system, a public employee under SHBP may receive this benefit if the  
11 25 years of service credit is in one or more State or locally-  
12 administered retirement systems.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3024**

**STATE OF NEW JERSEY**

DATED: MARCH 22, 2001

The Assembly State Government Committee reports favorably Assembly, No. 3024.

The bill amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Current law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have accrued 25 years of service credit in a single State-administered retirement system. The State also pays the cost of SHBP benefits for a board of education or county college retiree who has 25 or more years of service credit in the Public Employees' Retirement System or in the Alternate Benefit Program. A local government unit participating in SHBP may choose to provide SHBP benefits to its retirees but, with certain exceptions, the retirees must have accrued 25 or more years of service credit in a single State or locally-administered retirement system to qualify.

This bill changes these post-retirement SHBP benefit eligibility requirements from the current 25 or more years of service credit in a single State or locally-administered retirement system to 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems.

This bill is the same as Senate, No. 1310 of 2000.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3024**

**STATE OF NEW JERSEY**

DATED: JUNE 4, 2001

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3024.

Assembly Bill No. 3024 amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Current law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have accrued 25 years of service credit in a single State-administered retirement system. The State also pays the cost of SHBP benefits for a board of education or county college retiree who has 25 or more years of service credit in the Public Employees' Retirement System or in the Alternate Benefit Program. A local government unit participating in SHBP may choose to provide SHBP benefits to its retirees but, with certain exceptions, the retirees must have accrued 25 or more years of service credit in a single State or locally-administered retirement system to qualify.

This bill changes these post-retirement SHBP benefit eligibility requirements from the current 25 or more years of service credit in a single State or locally-administered retirement system to 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems.

The Pension and Health Benefits Review Commission recommended enactment of this legislation on November 3, 2000.

This bill is identical to Senate Bill No. 1310 of 2000.

**FISCAL IMPACT:**

In the fiscal note on this subject, the Division of Pensions and Benefits estimated a first year cost of \$527,000 to the State, of which \$500,000 is administrative expenses, and \$5,000 possible local cost. The cost the second year is estimated at \$70,000 (State-\$59,000; Local-\$11,000) and in the third year \$117,000 (State-\$98,000; Local-\$19,000). The annual cost is based on the current health retirement benefit subsidy of \$5,000 per employee with 25 years of service.

**FISCAL NOTE**  
**ASSEMBLY No. 3024**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JUNE 14, 2001

**SUMMARY**

**Synopsis:** Provides for aggregation of pension credit to qualify for paid health benefits in retirement.

**Type of Impact:** State expenditure increase (all funds), and potential local expenditure increase.

**Agencies Affected:** Department of Treasury and local government employers who participate in State Health Benefits Program (SHBP).

**Executive Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	\$527,000	\$59,000	\$98,000
<b>Local Cost</b>	\$5,000	\$11,000	\$19,000

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! Allows State employees who have accrued 25 years of service time in more than one State or locally administered retirement system to be eligible for the same health benefits and Medicare reimbursements currently afforded to employees who have accumulated 25 years of service time in a single State-administered retirement system.
- ! Provides that local boards of education employees and employees of county colleges who have accrued an aggregate 25 years of service time in more than one State or locally administered retirement system will receive State-paid health benefits and Medicare reimbursements.
- ! Provides that local employers may pay for health benefits for retirees who have accrued an aggregate of 25 years of service time in more than one State or locally administered retirement system.

**BILL DESCRIPTION**

Assembly Bill No. 3024 of 2000 amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP). Existing law provides that to qualify for such coverage, a State employee (other than one retiring on a disability pension) must have

accrued 25 years of service credit in a single State-administered retirement system. The State also pays for retiree health benefits for a board of education or county college employee who has 25 years of service credit in the Public Employees' Retirement System or the Alternate Benefit Program. A local government unit in SHBP may choose to provide post-retirement medical coverage to its retirees, but with certain exceptions, a local government retiree must have accrued 25 years of creditable service in a single State or locally-administered retirement system to qualify.

This bill provides that instead of having to meet the 25-year service credit requirement in a single State or locally-administered retirement system, a public employee under SHBP may receive this benefit if the 25 years of service credit is in one or more State or locally-administered retirement systems.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Department of Treasury, Division of Pensions and Benefits estimates that if the bill had been applicable law in FY 2001, State expenditures would have increased by \$527,000 and local expenditures would have increased by \$5,000. In fiscal years 2002 and 2003, the estimated total (State and local) cost would be \$70,000 and \$117,000, respectively.

The division's estimate assumes the following:

- ! In FY 2001, a one-time administrative expense of \$500,000 would be necessary to make changes to the division's member database.
- ! In FY 2001, five additional State employees and one additional local employee would become eligible for SHBP benefits under the provisions of the bill. The current annual subsidy is approximately \$5,000 per employee.
- ! An additional five State employees and one local employee would become eligible in each future fiscal year. FY 2002 and 2003 estimates reflect the cumulative cost of providing health benefits to an increasing number of eligible State and local employees.
- ! Ten percent annual inflation in the cost of health benefits is assumed for FY 2002 and 2003.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) concurs with the Executive estimate. The Office of Legislative Services advises that the State cost of this bill will depend on the number of additional State employees and employees of local boards of education and county colleges who would qualify for health benefits upon their retirement. While the actual number of employees that will qualify for additional benefits is not known, it is likely that the fiscal impact of this legislation will be minimal because the additional benefits would apply only to those individuals with a career path yielding 25 or more years of retirement service credits in two or more State or locally administered pension systems. Employees who transfer retirement service credit from one plan to another already qualify for this benefit.

Qualifying State employees and their dependents will be entitled to receive health benefits

and Medicare reimbursements as specified in the current collective bargaining agreement in effect at the time of their retirement. Employees of local boards of education and county colleges, as well as State employees who have served 25 years prior to July 1, 1997, will receive health benefit coverage fully paid by the State, as well as Medicare reimbursements.

For example, higher education faculty who have participated in the Alternate Benefits Program (ABP) could receive additional benefits if this legislation is enacted. Because the ABP is a defined contribution plan, service time for retirement purposes is not transferable to another State or local defined benefit plan. Under the provisions of this bill, however, an employee who has participated in the ABP will be able to receive credit for health benefit purposes if they have accumulated service time in a second State or locally administered retirement system and the aggregate of service time is at least 25 years.

Local expenditures could also increase because the bill allows local employers to pay health premiums and Medicare reimbursements for employees who have served 25 years in more than one State or locally administered retirement system. Again, the cost to local employers is believed to be minimal based on the limited number of individuals who will likely qualify for additional benefits. Decisions regarding health coverage of local employees in retirement are determined by local employers, and therefore any additional costs that result from this bill will be discretionary.

Section: *State Government*

Analyst: *Julie M. McDonnell*  
*Senior Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.



P.L. 2001, CHAPTER 209, *approved August 15, 2001*

Senate, No. 1310

1 **AN ACT** concerning paid health benefits coverage for retirees under  
2 the State Health Benefits Program and amending various parts of  
3 the statutory law.

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

7  
8 1. Section 6 of P.L.1996, c.8 (C52:14-17.28b) is amended to read  
9 as follows:

10 6. a. Notwithstanding the provisions of any other law to the  
11 contrary, the obligations of the State or an independent State  
12 authority, board, commission, corporation, agency, or organization to  
13 pay the premium or periodic charges for health benefits coverage  
14 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be  
15 determined by means of a binding collective negotiations agreement,  
16 including any agreements in force at the time of the adoption of  
17 P.L.1996, c.8. With respect to State employees for whom there is no  
18 majority representative for collective negotiations purposes, the  
19 commission may, in its sole discretion, modify the respective payment  
20 obligations set forth in P.L.1961, c.49 for the State and such  
21 employees in a manner consistent with the terms of any collective  
22 negotiations agreement binding on the State. With respect to  
23 employees of an independent State authority, board, commission,  
24 corporation, agency, or organization for whom there is no majority  
25 representative for collective negotiations purposes, the employer may,  
26 in its sole discretion, modify the respective payment obligations set  
27 forth in P.L.1961, c.49 for such employer and such employees in a  
28 manner consistent with the terms of any collective negotiations  
29 agreement binding on such employer. The provisions of this  
30 subsection shall also apply to employees deemed or considered to be  
31 employees of the State pursuant to subsection (c) of section 2 of  
32 P.L.1961, c.49 (C.52:14-17.26).

33 b. (1) Notwithstanding the provisions of any other law to the  
34 contrary, for each State employee who accrues 25 years of  
35 nonconcurrent service credit in [a State-administered retirement  
36 system] one or more State or locally-administered retirement systems  
37 before July 1, 1997, excepting the employee who elects deferred  
38 retirement, the State, upon the employee's retirement, shall pay the full  
39 cost of the premium or periodic charges for the health benefits  
40 provided to a retired State employee and dependents covered under  
41 the State Health Benefits Program, but not including survivors, and

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

**Matter underlined thus is new matter.**

1 shall also reimburse the retired employee for premium charges under  
2 Part B of Medicare covering the retired employee and the employee's  
3 spouse.

4 (2) Notwithstanding the provisions of any other law to the  
5 contrary, for each State employee who accrues 25 years of  
6 nonconcurrent service credit in [a State-administered retirement  
7 system] one or more State or locally-administered retirement systems  
8 on or after July 1, 1997, excepting the employee who elects deferred  
9 retirement, the State, upon the employee's retirement, shall pay the  
10 premium or periodic charges for the health benefits provided to a  
11 retired State employee and dependents covered under the State Health  
12 Benefits Program, but not including survivors, and shall reimburse the  
13 retired employee for premium charges under Part B of Medicare  
14 covering the retired employee and the employee's spouse: (a) in  
15 accordance with the provisions, if any, concerning health benefits  
16 coverage in retirement which are in the collective negotiations  
17 agreement applicable to the employee at the time of the employee's  
18 accrual of 25 years of nonconcurrent service credit in [the retirement  
19 system] one or more State or locally-administered retirement systems,  
20 or (b) if the employee has no majority representative for collective  
21 negotiations purposes, in a manner consistent with the terms, if any,  
22 concerning health benefits coverage in retirement which are in any  
23 collective negotiations agreement deemed applicable by the State  
24 Health Benefits Commission to that employee at the time of the  
25 employee's accrual of 25 years of nonconcurrent service credit in [the  
26 retirement system] one or more State or locally-administered  
27 retirement systems.

28 (cf: P.L.1996, c.8, s.6)

29

30 2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read  
31 as follows:

32 8. a. The basic coverage and the major medical coverage of any  
33 employee, and [of his] the employee's dependents, if any, shall cease  
34 upon the discontinuance of [his] the term of office or employment or  
35 upon cessation of active full-time employment subject to such  
36 regulations as may be prescribed by the commission for limited  
37 continuance of basic coverage and major medical coverage during  
38 disability, part-time employment, leave of absence or lay off, and for  
39 continuance of basic coverage and major medical coverage after  
40 retirement, any such continuance after retirement to be provided at  
41 such rates and under such conditions as shall be prescribed by the  
42 commission, subject, however, to the requirements hereinafter set  
43 forth in this section. The commission may also establish regulations  
44 prescribing an extension of coverage when an employee or dependent  
45 is totally disabled at termination of coverage.

46 b. Rates payable by retired employees for themselves and their

1 dependents, by active employees for dependents covered by medicare  
2 benefits, and by the State or other employer for an active employee  
3 alone covered by medicare benefits, shall be determined on the basis  
4 of utilization experience according to classifications determined by the  
5 commission, provided, however, that the total rate payable by such  
6 retired employee for ~~[himself]~~ the employee and ~~[his]~~ the employee's  
7 dependents, or by such active employee for ~~[his]~~ the employee's  
8 dependents and the State or other employer for such active employee  
9 alone, for coverage hereunder and for Part B of medicare, shall not  
10 exceed by more than 25%, as determined by the commission, the total  
11 amount which would have been required to have been paid by ~~[him]~~  
12 the employee and by the State or other employer for the coverage  
13 maintained had ~~[he]~~ the employee continued in office or active  
14 employment and ~~[he]~~ the employee and ~~[his]~~ the employee's  
15 dependents were not eligible for medicare benefits. "Medicare" as  
16 used in this act means the coverage provided under Title XVIII of the  
17 Social Security Act as amended in 1965, or its successor plan or plans.

18 c. (1) From funds appropriated therefor, the State shall pay the  
19 premium or periodic charges for the benefits provided to a retired  
20 State employee and ~~[his]~~ the employee's dependents covered under  
21 the program, but not including survivors, if such employee retired  
22 from ~~[a State-administered retirement system]~~ one or more State or  
23 locally-administered retirement systems on a benefit ~~or benefits~~ based  
24 in the aggregate on 25 years or more of nonconcurrent service credited  
25 in ~~[such retirement system]~~ the retirement systems, excepting the  
26 employee who elected deferred retirement, but including the employee  
27 who retired on a disability pension based on fewer years of service  
28 credited in ~~[such retirement system]~~ the retirement systems and shall  
29 also reimburse such retired employee for ~~[his]~~ the premium charges  
30 under Part B of the federal medicare program covering the retired  
31 employee and the employee's spouse. In the case of full-time  
32 employees of the Rutgers University Cooperative Extension Service,  
33 service credited in the federal Civil Service Retirement System (5  
34 U.S.C.s.8331 et seq.) which was earned as a result of full-time  
35 employment at Rutgers University, may be considered alone or in  
36 combination with service credited in ~~[a State-administered retirement~~  
37 ~~system]~~ one or more State or locally-administered retirement systems  
38 for the purposes of establishing the minimum 25-year service  
39 requirement to qualify for the benefits provided in this section. Any  
40 full-time employee of the Rutgers University Cooperative Extension  
41 Service who meets the eligibility requirements set forth in this  
42 amendatory act shall be eligible for the benefits provided in this  
43 section, provided that at the time of retirement such employee was  
44 covered by the State Health Benefits Program and elected to continue  
45 such coverage into retirement.

1 (2) Notwithstanding the provisions of this section to the contrary,  
2 from funds appropriated therefor, the State shall pay the premium or  
3 periodic charges for the benefits provided to a retired State employee  
4 and [his] the employee's dependents covered under the program, but  
5 not including survivors, if: (a) the employee retires on or after the  
6 effective date of this 1987 amendatory act; (b) the employee was  
7 employed by Rutgers University prior to January 2, 1955 and remained  
8 in continuous service with Rutgers University until retirement even  
9 though the employee (i) did not join a State-administered retirement  
10 system, or, (ii) became a member of a State-administered retirement  
11 system, but accumulated less than 25 years of credited service; and (c)  
12 the employee is covered by the program at the time of retirement.

13 (3) Notwithstanding the provisions of this section to the contrary,  
14 in the case of an employee of a State college, as described in chapter  
15 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
16 defined in N.J.S.18A:64A-1, service credited in a private defined  
17 contribution retirement plan which was earned as an employee of an  
18 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
19 (C.18A:64-27), at a State or county college shall be considered in  
20 combination with service credited in a State-administered retirement  
21 system for the purposes of establishing the minimum 25-year service  
22 requirement to qualify for the benefits provided in this section,  
23 provided that the employee is covered by the program at the time of  
24 retirement.

25 (4) Notwithstanding the provisions of this section to the contrary,  
26 from funds appropriated therefor, the State shall pay the premium or  
27 periodic charges for the benefits provided to a retired State employee  
28 and any dependents covered under the program, but not including  
29 survivors, if the employee: (a) retired prior to the effective date of this  
30 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
31 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
32 et seq.), with more than 20 but less than 25 years of service credit in  
33 the retirement system; (b) was subsequently employed by the State in  
34 another position or positions not covered by the State Police  
35 Retirement System; (c) has, in the aggregate, at least 30 years of  
36 full-time employment with the State; and (d) is covered by the  
37 program at the time of terminating full-time employment with the  
38 State.

39 (cf: P.L.1997, c.335, s.1)

40

41 3. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended to  
42 read as follows:

43 2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f)  
44 shall apply to:

45 a. any employee of a board of education who retires on a benefit  
46 or benefits based in the aggregate upon 25 or more years of

1 nonconcurrent service credit in [the Public Employees' Retirement  
2 System (P.L.1954, c.84; C.43:15A-1 et seq.)] one or more State or  
3 locally-administered retirement systems, or retires on a disability  
4 pension based upon fewer years of service credit in that system or  
5 systems, or elected deferred retirement based in the aggregate upon 25  
6 or more years of nonconcurrent service credit in one or more State or  
7 locally-administered retirement systems and receives a retirement  
8 allowance from that system or systems;

9 b. any employee of a county college who retires on a benefit or  
10 benefits based in the aggregate upon 25 or more years of  
11 nonconcurrent service credit in [the Public Employees' Retirement  
12 System (P.L.1954, c.84; C.43:15A-1 et seq.)] one or more State or  
13 locally-administered retirement systems, or retires on a disability  
14 pension based upon fewer years of service credit in that system or  
15 systems, or elected deferred retirement based in the aggregate upon 25  
16 or more years of nonconcurrent service credit in one or more State or  
17 locally-administered retirement systems and receives a retirement  
18 allowance from that system or systems; or [who retires on a benefit  
19 based upon 25 or more years of service credit in the alternate benefit  
20 program (P.L.1969, c.242; C.18A:66-167 et seq.), or] who receives  
21 a disability benefit pursuant to section 18 of P.L.1969, c.242  
22 (C.18A:66-184); and

23 c. any employee of a county college who retires on a benefit based  
24 upon 10 or more years of service credit in the alternate benefit  
25 program (P.L.1969, c.242; C.18A:66-167 et seq.) and who has  
26 additional years of service credited in another defined contribution  
27 retirement program as an employee of a private institution of higher  
28 education which, under contract with a county government, provided  
29 services as a county college and subsequently merged with a county  
30 technical institute to become a county college, which additional years  
31 of service when added to the service credited in the alternate benefit  
32 program totals 25 or more years and any such employee who retired  
33 prior to the effective date of P.L.1999, c.382 if the employee applies  
34 to the program for coverage within one year after the effective date of  
35 P.L.1999, c.382[, except that the].

36 The costs of the premium or periodic charges for the benefits and  
37 reimbursement of medicare premiums provided to a retiree and the  
38 dependents of the retiree under this section shall be paid by the State.  
39 (cf: P.L.1999, c.382, s.1)

40

41 4. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to  
42 read as follows:

43 7. a. The Division of Pensions and Benefits shall certify to the  
44 certifying agent of each employer electing participation under the  
45 program the premium rates and periodic charges applicable to the  
46 coverage provided for employees and dependents. The participating

1 employer shall remit to the division all contributions to premiums and  
2 periodic charges in advance of their due dates, subject to the rules and  
3 regulations of the commission.

4 b. (1) From funds allocated therefor, the employer other than the  
5 State, upon the adoption and submission to the division of an  
6 appropriate resolution prescribed by the commission, may pay the  
7 premium or periodic charges for the benefits provided to a retired  
8 employee and the employee's dependents covered under the program,  
9 if the employee retired from a State or locally-administered retirement  
10 system, excepting the employee who elected deferred retirement, and  
11 **[met the eligibility requirements for employer payment of premiums**  
12 **or periodic charges for health benefits coverage for retirees pursuant**  
13 **to N.J.S.40A:10-23, as amended, and]** may also reimburse the retired  
14 employee for the employee's premium charges under Part B of  
15 Medicare covering the retired employee and the employee's spouse if  
16 the employee:

17 (a) retired on a disability pension; or

18 (b) retired after 25 or more years of nonconcurrent service credit  
19 in one or more State or locally-administered retirement systems and a  
20 period of service of up to 25 years with the employer at the time of  
21 retirement, such period of service to be determined by the employer  
22 and set forth in an ordinance or resolution as appropriate; or

23 (c) retired and reached the age of 65 years or older with 25 years  
24 or more of nonconcurrent service credit in one or more State or  
25 locally-administered retirement systems and a period of service of up  
26 to 25 years with the employer at the time of retirement, such period of  
27 service to be determined by the employer and set forth in an ordinance  
28 or resolution as appropriate; or

29 (d) retired and reached the age of 62 years or older with at least 15  
30 years of service with the employer.

31 "Retired employee and the employee's dependents" may, upon  
32 adoption of an appropriate resolution therefor by the participating  
33 employer, also include otherwise eligible employees, and their  
34 dependents, who retired from **[a State or locally-administered**  
35 **retirement system]** one or more State or locally-administered  
36 retirement systems prior to the date that the employer became a  
37 participating employer in the New Jersey State Health Benefits  
38 Program or who did not elect to continue coverage in the program  
39 during such time after the employer became a participating employer  
40 that the employer did not pay premium or periodic charges for benefits  
41 to retired employees and their dependents pursuant to this section.  
42 Eligibility and enrollment of such employees and dependents shall be  
43 in accordance with such rules and regulations as may be adopted by  
44 the State Health Benefits Commission.

45 The employer other than the State may, by resolution, pay the  
46 premium or periodic charges for the benefits provided to the surviving

1 spouse of a retired employee and the employee's dependents covered  
2 under the program as provided in this section.

3 (2) Notwithstanding the provisions of any other law to the  
4 contrary, the obligations of an employer other than the State, except  
5 an independent State authority, board, commission, corporation,  
6 agency, or organization deemed to be covered by section 6 of  
7 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose  
8 employees are covered by section 3 of P.L.1987, c.384  
9 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and  
10 section 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium  
11 or periodic charges for health benefits coverage under the provisions  
12 of paragraph (1) may be determined by means of a binding collective  
13 negotiations agreement, including any agreement in force at the time  
14 of the adoption of this act, P.L.1999, c.48. With respect to employees  
15 for whom there is no majority representative for collective  
16 negotiations purposes, the employer may, in its sole discretion,  
17 determine the payment obligations for the employer and the  
18 employees, except that if there are collective negotiations agreements  
19 binding upon the employer for employees who are within the same  
20 community of interest as employees in a collective negotiations unit  
21 but are excluded from participation in the unit by the "New Jersey  
22 Employer-Employee Relations Act," P.L.1941, c.100 (C.34:13A-1 et  
23 seq.), the payment obligations shall be determined in a manner  
24 consistent with the terms of any collective negotiations agreement  
25 applicable to the collective negotiations unit.

26 c. Notwithstanding the provisions of any other law to the contrary,  
27 the payment obligations of an employee of an employer other than the  
28 State, except an independent State authority, board, commission,  
29 corporation, agency, or organization, for health benefits coverage  
30 under subsection b. shall be the payment obligations applicable to the  
31 employee on the date the employee retires on a disability pension or  
32 the date the employee meets the service credit and service  
33 requirements for the employer payment for the coverage, as the case  
34 may be.

35 (cf: P.L.1999, c.48, s.1)

36

37 5. This act shall take effect immediately.

38

39

40

#### STATEMENT

41

42 The bill amends the statutes governing a retiree's eligibility for paid  
43 coverage under the State Health Benefits Program (SHBP). Existing  
44 law provides that to qualify for such coverage, a State employee (other  
45 than one retiring on a disability pension) must have accrued 25 years  
46 of service credit in a single State-administered retirement system. The

1 State will also pay for retiree health benefits for a board of education  
2 or county college employee who has 25 years of service credit in the  
3 Public Employees' Retirement System or the Alternate Benefit  
4 Program. A local government unit in SHBP may choose to provide  
5 post-retirement medical coverage to its retirees, but with certain  
6 exceptions, a local government retiree must have accrued 25 years of  
7 creditable service in a single State or locally-administered retirement  
8 system to qualify.

9 This bill provides that instead of having to meet the 25-year service  
10 credit requirement in a single State or locally-administered retirement  
11 system, a public employee under SHBP may receive this benefit if the  
12 25 years of service credit is in one or more State or locally-  
13 administered retirement systems.

14

15

16

17

18 Provides for aggregation of pension credit to qualify for paid SHBP  
19 benefits in retirement.



## CHAPTER 209

**AN ACT** concerning paid health benefits coverage for retirees under the State Health Benefits Program and amending various parts of the statutory law.

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

1. Section 6 of P.L.1996, c.8 (C.52:14-17.28b) is amended to read as follows:

C.52:14-28b Determination of obligation of State, agencies to pay premium; periodic charges.

6. a. Notwithstanding the provisions of any other law to the contrary, the obligations of the State or an independent State authority, board, commission, corporation, agency, or organization to pay the premium or periodic charges for health benefits coverage provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be determined by means of a binding collective negotiations agreement, including any agreements in force at the time of the adoption of P.L.1996, c.8. With respect to State employees for whom there is no majority representative for collective negotiations purposes, the commission may, in its sole discretion, modify the respective payment obligations set forth in P.L.1961, c.49 for the State and such employees in a manner consistent with the terms of any collective negotiations agreement binding on the State. With respect to employees of an independent State authority, board, commission, corporation, agency, or organization for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, modify the respective payment obligations set forth in P.L.1961, c.49 for such employer and such employees in a manner consistent with the terms of any collective negotiations agreement binding on such employer. The provisions of this subsection shall also apply to employees deemed or considered to be employees of the State pursuant to subsection (c) of section 2 of P.L.1961, c.49 (C.52:14-17.26).

b. (1) Notwithstanding the provisions of any other law to the contrary, for each State employee who accrues 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems before July 1, 1997, excepting the employee who elects deferred retirement, the State, upon the employee's retirement, shall pay the full cost of the premium or periodic charges for the health benefits provided to a retired State employee and dependents covered under the State Health Benefits Program, but not including survivors, and shall also reimburse the retired employee for premium charges under Part B of Medicare covering the retired employee and the employee's spouse.

(2) Notwithstanding the provisions of any other law to the contrary, for each State employee who accrues 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems on or after July 1, 1997, excepting the employee who elects deferred retirement, the State, upon the employee's retirement, shall pay the premium or periodic charges for the health benefits provided to a retired State employee and dependents covered under the State Health Benefits Program, but not including survivors, and shall reimburse the retired employee for premium charges under Part B of Medicare covering the retired employee and the employee's spouse: (a) in accordance with the provisions, if any, concerning health benefits coverage in retirement which are in the collective negotiations agreement applicable to the employee at the time of the employee's accrual of 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems, or (b) if the employee has no majority representative for collective negotiations purposes, in a manner consistent with the terms, if any, concerning health benefits coverage in retirement which are in any collective negotiations agreement deemed applicable by the State Health Benefits Commission to that employee at the time of the employee's accrual of 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems.

2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read as follows:

C.52:14-17.32 Health benefits for retirees.

8. a. The basic coverage and the major medical coverage of any employee, and the employee's dependents, if any, shall cease upon the discontinuance of the term of office or employment or upon cessation of active full-time employment subject to such regulations as may be prescribed by the commission for limited continuance of basic coverage and major medical coverage during disability, part-time employment, leave of absence or lay off, and for continuance of basic

coverage and major medical coverage after retirement, any such continuance after retirement to be provided at such rates and under such conditions as shall be prescribed by the commission, subject, however, to the requirements hereinafter set forth in this section. The commission may also establish regulations prescribing an extension of coverage when an employee or dependent is totally disabled at termination of coverage.

b. Rates payable by retired employees for themselves and their dependents, by active employees for dependents covered by medicare benefits, and by the State or other employer for an active employee alone covered by medicare benefits, shall be determined on the basis of utilization experience according to classifications determined by the commission, provided, however, that the total rate payable by such retired employee for the employee and the employee's dependents, or by such active employee for the employee's dependents and the State or other employer for such active employee alone, for coverage hereunder and for Part B of medicare, shall not exceed by more than 25%, as determined by the commission, the total amount which would have been required to have been paid by the employee and by the State or other employer for the coverage maintained had the employee continued in office or active employment and the employee and the employee's dependents were not eligible for medicare benefits. "Medicare" as used in this act means the coverage provided under Title XVIII of the Social Security Act as amended in 1965, or its successor plan or plans.

c. (1) From funds appropriated therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and the employee's dependents covered under the program, but not including survivors, if such employee retired from one or more State or locally-administered retirement systems on a benefit or benefits based in the aggregate on 25 years or more of nonconcurrent service credited in the retirement systems, excepting the employee who elected deferred retirement, but including the employee who retired on a disability pension based on fewer years of service credited in the retirement systems and shall also reimburse such retired employee for the premium charges under Part B of the federal medicare program covering the retired employee and the employee's spouse. In the case of full-time employees of the Rutgers University Cooperative Extension Service, service credited in the federal Civil Service Retirement System (5 U.S.C.s.8331 et seq.) which was earned as a result of full-time employment at Rutgers University, may be considered alone or in combination with service credited in one or more State or locally-administered retirement systems for the purposes of establishing the minimum 25-year service requirement to qualify for the benefits provided in this section. Any full-time employee of the Rutgers University Cooperative Extension Service who meets the eligibility requirements set forth in this amendatory act shall be eligible for the benefits provided in this section, provided that at the time of retirement such employee was covered by the State Health Benefits Program and elected to continue such coverage into retirement.

(2) Notwithstanding the provisions of this section to the contrary, from funds appropriated therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and the employee's dependents covered under the program, but not including survivors, if: (a) the employee retires on or after the effective date of this 1987 amendatory act; (b) the employee was employed by Rutgers University prior to January 2, 1955 and remained in continuous service with Rutgers University until retirement even though the employee (i) did not join a State-administered retirement system, or, (ii) became a member of a State-administered retirement system, but accumulated less than 25 years of credited service; and (c) the employee is covered by the program at the time of retirement.

(3) Notwithstanding the provisions of this section to the contrary, in the case of an employee of a State college, as described in chapter 64 of Title 18A of the New Jersey Statutes, or of a county college, as defined in N.J.S.18A:64A-1, service credited in a private defined contribution retirement plan which was earned as an employee of an auxiliary organization, as defined in section 2 of P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be considered in combination with service credited in a State-administered retirement system for the purposes of establishing the minimum 25-year service requirement to qualify for the benefits provided in this section, provided that the employee is covered by the program at the time of retirement.

(4) Notwithstanding the provisions of this section to the contrary, from funds appropriated

therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and any dependents covered under the program, but not including survivors, if the employee: (a) retired prior to the effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under the State Police Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than 25 years of service credit in the retirement system; (b) was subsequently employed by the State in another position or positions not covered by the State Police Retirement System; (c) has, in the aggregate, at least 30 years of full-time employment with the State; and (d) is covered by the program at the time of terminating full-time employment with the State.

3. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended to read as follows:

C.52:14-17.32f1 Applicability of C.52:14-17.32f.

2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall apply to:

a. any employee of a board of education who retires on a benefit or benefits based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems, or retires on a disability pension based upon fewer years of service credit in that system or systems, or elected deferred retirement based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems and receives a retirement allowance from that system or systems;

b. any employee of a county college who retires on a benefit or benefits based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems, or retires on a disability pension based upon fewer years of service credit in that system or systems, or elected deferred retirement based in the aggregate upon 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems and receives a retirement allowance from that system or systems; or who receives a disability benefit pursuant to section 18 of P.L.1969, c.242 (C.18A:66-184); and

c. any employee of a county college who retires on a benefit based upon 10 or more years of service credit in the alternate benefit program (P.L.1969, c.242; C.18A:66-167 et seq.) and who has additional years of service credited in another defined contribution retirement program as an employee of a private institution of higher education which, under contract with a county government, provided services as a county college and subsequently merged with a county technical institute to become a county college, which additional years of service when added to the service credited in the alternate benefit program totals 25 or more years and any such employee who retired prior to the effective date of P.L.1999, c.382 if the employee applies to the program for coverage within one year after the effective date of P.L.1999, c.382.

The costs of the premium or periodic charges for the benefits and reimbursement of medicare premiums provided to a retiree and the dependents of the retiree under this section shall be paid by the State.

4. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to read as follows:

C.52:14-17.38 Certification of premium rates, charges; Medicare premiums; employer obligations.

7. a. The Division of Pensions and Benefits shall certify to the certifying agent of each employer electing participation under the program the premium rates and periodic charges applicable to the coverage provided for employees and dependents. The participating employer shall remit to the division all contributions to premiums and periodic charges in advance of their due dates, subject to the rules and regulations of the commission.

b. (1) From funds allocated therefor, the employer other than the State, upon the adoption and submission to the division of an appropriate resolution prescribed by the commission, may pay the premium or periodic charges for the benefits provided to a retired employee and the employee's dependents covered under the program, if the employee retired from a State or

locally-administered retirement system, excepting the employee who elected deferred retirement, and may also reimburse the retired employee for the employee's premium charges under Part B of Medicare covering the retired employee and the employee's spouse if the employee:

(a) retired on a disability pension; or

(b) retired after 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems and a period of service of up to 25 years with the employer at the time of retirement, such period of service to be determined by the employer and set forth in an ordinance or resolution as appropriate; or

(c) retired and reached the age of 65 years or older with 25 years or more of nonconcurrent service credit in one or more State or locally-administered retirement systems and a period of service of up to 25 years with the employer at the time of retirement, such period of service to be determined by the employer and set forth in an ordinance or resolution as appropriate; or

(d) retired and reached the age of 62 years or older with at least 15 years of service with the employer.

"Retired employee and the employee's dependents" may, upon adoption of an appropriate resolution therefor by the participating employer, also include otherwise eligible employees, and their dependents, who retired from one or more State or locally-administered retirement systems prior to the date that the employer became a participating employer in the New Jersey State Health Benefits Program or who did not elect to continue coverage in the program during such time after the employer became a participating employer that the employer did not pay premium or periodic charges for benefits to retired employees and their dependents pursuant to this section. Eligibility and enrollment of such employees and dependents shall be in accordance with such rules and regulations as may be adopted by the State Health Benefits Commission.

The employer other than the State may, by resolution, pay the premium or periodic charges for the benefits provided to the surviving spouse of a retired employee and the employee's dependents covered under the program as provided in this section.

(2) Notwithstanding the provisions of any other law to the contrary, the obligations of an employer other than the State, except an independent State authority, board, commission, corporation, agency, or organization deemed to be covered by section 6 of P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose employees are covered by section 3 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or periodic charges for health benefits coverage under the provisions of paragraph (1) may be determined by means of a binding collective negotiations agreement, including any agreement in force at the time of the adoption of this act, P.L.1999, c.48. With respect to employees for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, determine the payment obligations for the employer and the employees, except that if there are collective negotiations agreements binding upon the employer for employees who are within the same community of interest as employees in a collective negotiations unit but are excluded from participation in the unit by the "New Jersey Employer-Employee Relations Act," P.L.1941, c.100 (C.34:13A-1 et seq.), the payment obligations shall be determined in a manner consistent with the terms of any collective negotiations agreement applicable to the collective negotiations unit.

c. Notwithstanding the provisions of any other law to the contrary, the payment obligations of an employee of an employer other than the State, except an independent State authority, board, commission, corporation, agency, or organization, for health benefits coverage under subsection b. shall be the payment obligations applicable to the employee on the date the employee retires on a disability pension or the date the employee meets the service credit and service requirements for the employer payment for the coverage, as the case may be.

5. This act shall take effect immediately.

Approved August 15, 2001.

# Office of the Governor

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TRENTON, NJ 08625

## NEWS RELEASE

CONTACT: Rae Hutton  
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RELEASE: Aug 16, 2001

### **Acting Governor Donald T. DiFrancesco signed the following legislation:**

**S-1310**, sponsored by Senators Robert Martin (R-Essex/Morris/Passaic) and James Cafiero (R-Cape May/Atlantic/Cumberland) and Assembly members Carol Murphy (R-Essex/Morris/Passaic) and Richard Merkt (R-Morris), changes the post-retirement State Health Benefits Program eligibility requirements from the current threshold of 25 or more years of service credit in a single state or locally-administered retirement system to 25 or more years of nonconcurring service credit in one or more state or locally-administered retirement systems.

**S-2428**, sponsored by Senator Gerald Cardinale (R-Bergen) and Assemblywoman Clare Farragher (R-Monmouth), repeals the existing "New Jersey Insurance Producer Licensing Act" and replaces it with a new regulatory system designed to create uniform laws governing the licensure of both resident and nonresident insurance producers. The bill defines key terms and establishes uniform examination and licensing requirements. The bill provides for reciprocity among states for nonresident licensees

**A-3261**, sponsored by Senators Gerald Cardinale (R-Bergen) and John Adler (D-Camden) and Assembly members Kip Bateman (R-Morris/Somerset) and Peter Biondi (R-Morris/Somerset), The Uniform Principal & Income Act enhances a trustee's ability to satisfy fiduciary duties to the two types of beneficiaries of a trust whose interests often are in conflict: remainder beneficiaries, who benefit from a trust's principal, and income beneficiaries, who benefit from a trust's income distribution. The bill provides a trustee with the discretion to allocate trust assets either to principal or income, in conformity with rules established by the bill and with the "Prudent Investor Act".

**A-2601**, sponsored by Assemblyman Richard Bagger (R-Middlesex/Morris/Somerset/ Union), pushes back the deadline established in current law for filing certain nominating petitions for party offices and public offices from the 54th day to the 57th day prior to the day of the general election and would affect: a) petitions of candidates seeking the nomination of a political party at the primary election; b) petitions nominating candidates for party positions at the primary election; c) petitions seeking to have the name of a person seeking nomination to the office of President of the United States by a political party appear on the ballot with the names of the delegates and alternates to the national convention of the party.