

18A: 66-13.1

LEGISLATIVE HISTORY CHECKLIST

NJSA: 18A:66-13.1

(TPAF - Veterans - allow purchase of 5 years time for active military service)

LAWS OF: 1983

CHAPTER: 198

Bill No: S1362

Sponsor(s): Feldman

Date Introduced: May 10, 1982

Committee: Assembly: Education

Senate: State Government, Federal and Interstate Relations and Veterans Affairs

Amended during passage: Yes // Amendments denoted by asterisks according to Governor's recommendations:

Date of Passage: Assembly: March 3, 1983 Re-enacted 5-26-82

Senate: Jan. 24, 1983 Re-enacted 5-3-83

Date of Approval: May 31, 1983

Following statements are attached if available:

Sponsor statement:		Yes	//
Committee statement:	Assembly	Yes	//
	Senate	Yes	//
Fiscal Note:		Yes	//
Veto Message:		Yes	//
Message on Signing:		///	No
Following were printed:			
Reports:		///	No
Hearings:		///	No

LEGISLATIVE HISTORY CHECKLIST

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SENATE, No. 1362**STATE OF NEW JERSEY**

INTRODUCED MAY 10, 1982

By Senator FELDMAN

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

AN ACT concerning veteran members of the Teachers' Pension and
Annuity Fund and supplementing chapter 66 of Title 18A of
the New Jersey Statutes.

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

1 1. A member who meets the definition of "veteran" as set out
2 in paragraph r. of N. J. S. 18A:66-2 may, upon filing an applica-
3 tion with the board of trustees of the retirement system, purchase
4 credit for all or a portion of the time spent in active military
5 service prior to his enrollment in the retirement system, but not
6 exceeding 5 years. No application shall be accepted for the pur-
7 chase of credit for such service, however, if at the time of appli-
8 cation, the member has a vested right to retirement benefits in
9 another retirement system based in whole or in part upon his
10 military service.

11 He may purchase credit for such service by paying into the
12 annuity savings fund the amount required by applying the factor,
13 supplied by the actuary, applicable to his age at the time of the
14 purchase, to his salary at that time. Such purchase may be made
15 in regular monthly installments or in a lump sum as he may elect
16 and pursuant to rules and regulations as may be promulgated
17 by the Division of Pensions. Neither the State nor the employer
18 of a member who applies to purchase credit under the provisions
19 of this supplementary act shall be liable for any payment to the
20 retirement system on behalf of the member for the purchase of
21 such credit. **If, upon retirement, the member's payment for pur-*

Matter printed in italics thus is new matter.

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

***—Senate amendment adopted in accordance with Governor's recommenda-
tions May 23, 1983.**

21A *chase of military service credit is insufficient to provide for the*
21B *additional retirement benefit attributable to such service, the*
21C *difference may be assessed to the member, or a pro rata credit may*
21D *be granted based on service purchased prior to the date of retire-*
21E *ment, at the election of the member.**

22 Any member electing to contribute toward such service, who
23 retires prior to completing payment as agreed with the retirement
24 system for the purchase of such service will receive pro rata
25 credit for service purchased prior to the date of retirement, but
26 if he so elects at the time of retirement, he may make such addi-
27 tional lump sum payment at that time as will be necessary to
28 provide full credit.

1 2. This act shall take effect immediately.

22 Any member electing to contribute toward such service, who
23 retires prior to completing payment as agreed with the retirement
24 system for the purchase of such service will receive pro rata
25 credit for service purchased prior to the date of retirement, but
26 if he so elects at the time of retirement, he may make such addi-
27 tional lump sum payment at that time as will be necessary to
28 provide full credit.

1 2. This act shall take effect immediately.

STATEMENT

The purpose of this legislation is to permit any veteran member of the Teachers' Pension and Annuity Fund to purchase all or a portion of the time, not exceeding 5 years, spent in active military service prior to his enrollment in TPAF. The bill provides that neither the State nor the member's employer shall be liable for any payment to the retirement system in connection with such a purchase. This bill is identical in effect to P. L. 1981, c. 451 which applied only to members of the public Employees Retirement System.

51362 (1982)

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 1362

STATE OF NEW JERSEY

DATED: FEBRUARY 28, 1983

PROVISIONS

This legislation allows any veteran member of the Teachers' Pension and Annuity Fund to purchase up to five years of pension credit for time spent in active military service prior to enrollment in the fund. It provides that neither the State nor the employer shall be liable for any payment for the purchase of such credit.

BACKGROUND

According to the fiscal note, there "is no immediate cost to the State or local government employer. . . . However, if there is to be any change in the benefits payable to these individuals following retirement, where the benefit change is reflected in consideration of the years of service purchased, then there will be additional cost."

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

STATEMENT TO

SENATE, No. 1362

STATE OF NEW JERSEY

DATED DECEMBER 13, 1982

This legislation allows any veteran member of the Teachers' Pension and Annuity Fund to purchase up to 5 years of pension credit for time spent in active military service prior to enrollment in the fund. It provides that neither the State nor the employer shall be liable for any payment for the purchase of such credit.

FISCAL NOTE TO
SENATE, No. 1362

STATE OF NEW JERSEY

DATED: OCTOBER 13, 1982

Senate Bill No. 1362, of 1982, would amend the Teachers' Pension and Annuity Fund (TPAF) to permit veteran members to purchase credit for military service (up to 5 years) prior to enrollment in the TPAF. There is to be no immediate cost to the State or local government employer.

The Division of Pensions notes that the proposed legislation indicates that neither the State or local government will bear any expense on the purchase of service.

However, if there is to be any change in the benefits payable to these individuals following the retirement, where the benefit change is reflected in consideration of the years of service purchased, then there will be additional cost.

There will be a cost increase impact on the Pension Adjustment Program because the larger the allowance, the larger the adjustment.

The Office of Legislative Services concurs.

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1980, c. 67.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

April 25, 1983

SENATE BILL NO. 1362

To the Senate:

Pursuant to Article V, Section 1, Paragraph 14 of the Constitution, I herewith return Senate Bill No. 1362 with my objections for reconsideration.

This bill would permit any veteran who is a member of the Teachers Pension & Annuity Fund to purchase all or a portion of the time, not to exceed five years, which he may have spent in active military service prior to his enrollment in the pension fund. This legislation also provides that neither the State nor the member's employer would be liable for any payment to the retirement system in connection with such a purchase.

I have been informed by the Division of Pensions of the Department of the Treasury that this bill is technically unsatisfactory because there is no way for a guaranteed benefit program to be structured so that there is no additional cost to employers following a purchase of service. When a member elects to purchase military time, an actuarial projection is made based on the individual's current age and salary, and that individual's estimated age and salary at retirement. The estimated retirement age used is the average retirement age of all members in the pension fund. Virtually all of the persons who elect to purchase military time will do so in order to qualify for some unique benefit, such as early retirement, and will not work until the average retirement age. In addition, pension benefits are sometimes increased by Statute, causing increased pension costs to the employer. The actuary is also required to predict the individual's salary at retirement, which is virtually impossible. If salaries rise higher than anticipated, there are additional pension costs which must be borne by the employer. Therefore, this bill would eventually result in additional costs which all employers participating in the program would have to absorb.

The only method of assuring that the employer would bear no part of this additional cost would be to provide for an additional assessment, if necessary, upon the retirement of each electing member. However, I have been advised by the Attorney General that, as the bill now reads, such an assessment could not be made. Therefore, the clear legislative intent that the employer will bear no costs resulting from a purchase of military credit is frustrated.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

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This situation can be remedied by adding language to the bill which clearly states that, upon retirement, an electing member may be assessed for the cost of any additional retirement benefit attributable to the purchase of military service credit. The member would be provided with the option of not paying this assessment and receiving pro rata pension credit based on service purchased prior to the retirement date.

Accordingly, I recommend the following amendments for concurrence by the Legislature:

Page 1, Section 1, Line 21: After "credit.", insert "If, upon retirement, the member's payment for purchase of military service credit is insufficient to provide for the additional retirement benefit attributable to such service, the difference may be assessed to the member, or a pro rata credit may be granted based on service purchased prior the date of retirement, at the election of the member."

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ W. Cary Edwards
Chief Counsel