

43:6A-11 et al

LEGISLATIVE HISTORY CHECKLIST

FOR ATTACHMENTS
SEE 18A:66-36

NJSA 18A:66-36; 43:6A-11 et al; 53:5A-28 (Pensions--State administered--vesting
--reduce to 10 years)

LAWS 1981 CHAPTER 177

Bill No. A267

Sponsor(s) Pellechia and others

Date Introduced Pre-filed

Committee: Assembly Revenue, Finance and Appropriations

Senate Revenue, Finance and Appropriations

Amended during passage Yes No Substituted for S180
(not attached since
identical to A267)

Date of Passage: Assembly May 5, 1980

Senate Jan. 29, 1981

Date of approval June 19, 1981

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly Yes ~~No~~

Senate Yes ~~No~~

Fiscal Note Yes ~~No~~

Veto Message ~~Yes~~ No

Message on signing Yes ~~No~~

Following were printed:

Reports ~~Yes~~ No

Hearings ~~Yes~~ No

Pending Bill referred to in press release:

HR 3396

6/22/81

ASSEMBLY, No. 267

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1980 SESSION

By Assemblymen PELLECCCHIA, WEIDEL, GIRGENTI, McMANIMON, PATERO, EDWARDS, D. GALLO, MATTHEWS, SMITH, LITTELL, COWAN, MAYS, JANISZEWSKI, ADUBATO, LESNIAK, KERN, VILLANE, SNEDEKER, SAXTON, BASANO, DOWD, HURLEY, GORMLEY, Assemblywoman McCONNEL, Assemblyman RAND, Assemblywoman GARVIN, Assemblymen KARCHER, THOMPSON, BARRY, KAVANAUGH, HARDWICK, Assemblywoman MUHLER, Assemblymen ORECHIO, DOYLE and ALBANESE

AN ACT concerning the vesting of retirement benefits in State-administered retirement systems and revising certain provisions of the statutory law.

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

1 1. N. J. S. 18A:66-36 is amended to read as follows:

2 18A:66-36. Should a member of the Teachers' Pension and
3 Annuity Fund, after having completed **[15]** 10 years of service,
4 be separated voluntarily or involuntarily from the service, before
5 reaching service retirement age, and not by removal for conduct
6 unbecoming a teacher or other just cause under the provisions of
7 sections 18A:28-4 to 18A:28-5 and 18A:28-9 to 18A:28-13 inclu-
8 sive, such person may elect to receive, in lieu of the payment pro-
9 vided in section 18A:66-34:

10 a. The payments provided for in section 18A:66-37, if he so
11 qualified under said section; or

12 b. A deferred retirement allowance beginning at age 60, which
13 shall be made up of an annuity derived from the member's accumu-
14 lated deductions at the time of his severance from the service, and
15 a pension in the amount which, when added to the member's annuity,
16 will provide a total retirement allowance of $\frac{1}{10}$ of his final compen-
17 sation for each year of service credited as Class A service and $\frac{1}{60}$
18 of his final compensation for each year of service credited as class

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

19 B service, calculated in accordance with section 18A:66-44, with
20 optional privileges provided for in section 18A:66-47 if he exercises
21 such optional privilege at least 30 days before his attainment of the
22 normal retirement age; provided, that such election is communi-
23 cated by such member to the retirement system in writing stating
24 at what time subsequent to the execution and filing thereof he
25 desires to be retired; and provided, further, that such member may
26 later elect: (1) to receive the payments provided for in section
27 18A:66-37, if he had qualified under that section at the time of
28 leaving service, except that in order to avail himself of the optional
29 privileges pursuant to section 18A:66-47, he must exercise such
30 optional privilege at least 30 days before the effective date of his
31 retirement; or (2) to withdraw his accumulated deductions with
32 interest as provided in section 18A:66-34. If such member shall die
33 before attaining service retirement age, then his accumulated de-
34 ductions, plus regular interest after January 1, 1956, shall be paid
35 in accordance with section 18A:66-38, and, in addition if such
36 member shall die after attaining service retirement age and has not
37 withdrawn his accumulated deductions, an amount equal to $\frac{3}{8}$
38 of the compensation upon which contributions by the member to
39 the annuity savings fund were based in the last year of creditable
40 service shall be paid to such member's beneficiary.

41 Any member who, having elected to receive a deferred retirement
42 allowance, again becomes an employee covered by the retirement
43 system while under the age of 60, shall thereupon be reenrolled. If
44 he had discontinued his service for more than 2 consecutive years,
45 subsequent contributions shall be at a rate applicable to the age
46 resulting from the subtraction of his years of creditable service at
47 the time of his last discontinuance of contributing membership from
48 his age at the time of his return to service. He shall be credited with
49 all service as a member standing to his credit at the time of his
50 election to receive a deferred retirement allowance.

1 2. Section 11 of P. L. 1973, c. 140 (C. 43:6A-11) is amended to
2 read as follows:

3 11. Should any member resign, or fail of reappointment who
4 shall have served at least 5 years successively as a judge of the
5 several courts and at least ~~15~~ 10 years in the aggregate, including
6 such services as a judge or in office, position, or employment of this
7 State or a county, municipality, board of education, or public
8 agency of this State, before reaching age 60, and not by removal
9 for cause or charges of misconduct or delinquency, he may elect to
10 receive a deferred pension, beginning on the first day of the month

11 following his attainment of age 60 and the filing of an application
12 therefor, in the amount of 2% of his final salary multiplied by his
13 number of years of service up to 25 plus 1% of his final salary
14 multiplied by his number of years of service over 25, provided that
15 such inactive member may elect to receive payments provided
16 under section 10 if he had qualified under that section at the time
17 of leaving service, except that in order to avail himself of the op-
18 tion, he must exercise such option at least 1 month before the
19 effective date of his retirement. If such inactive member shall die
20 after attaining age 60 but before filing an application for retire-
21 ment benefits pursuant to this section or section 10 and for which
22 benefits he would have qualified, or in the event of death after re-
23 tirement, there shall be paid to such member's beneficiary the death
24 benefits prescribed by section 19.

25 No beneficiary shall be eligible for a pension if the member who
26 elected to receive a deferred pension shall die before attaining
27 age 60.

28 Any member who, having elected to receive a deferred pension,
29 again becomes a member while under the age of 60, shall thereupon
30 be reenrolled. He shall be credited with all service as a member
31 standing to his credit at the time of his election, to receive a de-
32 ferred pension.

1 3. Section 1 of P. L. 1941, c. 220 (C. 43:7-7) is amended to read
2 as follows:

3 1. a. Hereafter, any such prison officer, as hereinafter set forth,
4 who shall have served in the employ of the State of New Jersey
5 continuously, or in the aggregate, for a period of 20 years, and
6 who shall have attained the age of 55 years, shall, upon his own
7 application, be retired on one-half pay, or 2% of his average final
8 compensation multiplied by the number of years of his creditable
9 service up to 30 plus 1% of his average final compensation multi-
10 plied by the number of years of creditable service in excess of 30
11 years rendered prior to his reaching age 65, whichever is greater.

12 b. A prison officer who is an active member of the pension fund
13 and who has established credit in the pension fund for ~~15~~ 10 or
14 more years of service, but shall not have attained the age of 55
15 years, may, on his own application, be retired and apply for a
16 deferred pension. Upon attainment of 55 years of age, he shall be
17 entitled to a pension in the amount of 2% of his average final
18 compensation multiplied by the number of years of his creditable
19 service up to 30 plus 1% of his average final compensation multi-
20 plied by the number of years of creditable service in excess of
21 30 years.

1 4. Section 38 of P. L. 1954, c. 84 (C. 43:15A-38) is amended to
2 read as follows:

3 38. Should a member of the Public Employees' Retirement
4 System, after having completed [15] 10 years of service, be sepa-
5 rated voluntarily or involuntarily from the service, before reaching
6 service retirement age, and not by removal for cause on charges of
7 misconduct or delinquency, such person may elect to receive:

8 (a) The payments provided for in section 41 b of this act, if he
9 so qualifies under said section, or;

10 (b) A deferred retirement allowance, beginning at the retire-
11 ment age, which shall be made up of an annuity derived from the
12 accumulated deductions standing to the credit of the individual
13 member's account in the annuity savings fund at the time of his
14 severance from the service together with regular interest, and a
15 pension which when added to the annuity will produce a total
16 retirement allowance of $1/70$ of his final compensation for each
17 year of service credited as Class A service and $1/60$ of his final
18 compensation for each year of service credited as Class B service,
19 calculated in accordance with section 48 of this act, with optional
20 privileges provided for in section 50 of this act if he exercises such
21 optional privilege at least 30 days before his attainment of the
22 normal retirement age; provided, that such election is communi-
23 cated by such member to the retirement system in writing stating
24 at what time subsequent to the execution and filing thereof he
25 desires to be retired; and provided further, that such member,
26 as referred to in this subsection may later elect: (1) to receive the
27 payments provided for in section 41 b of this act, if he had qualified
28 under that section at the time of leaving service, except that in
29 order to avail himself of the optional privileges pursuant to sec-
30 tion 50, he must exercise such optional privilege at least 30 days
31 before the effective date of his retirement or; (2) to withdraw his
32 accumulated deductions with interest as provided in section 41a.
33 If such member shall die before attaining service retirement age
34 then his accumulated deductions, plus regular interest, shall be
35 paid in accordance with section 41c; or if such member shall die
36 after attaining service retirement age and has not withdrawn his
37 accumulated deductions, an amount equal to $3/16$ of the com-
38 pensation received by the member in the last year of creditable
39 service shall be paid to such person, if living, as he shall have
40 nominated by written designation duly executed and filed with the
41 retirement system otherwise to the executor or administrator of
42 the member's estate.

1 5. Section 17 of P. L. 1964, c. 241 (C. 43:16A-11.2) is amended
2 to read as follows:

3 17. Should a member, after having established [15] 10 years of
4 creditable service, be separated voluntarily or involuntarily from
5 the service, before reaching age 55, and not by removal for cause
6 or charges of misconduct or delinquency, such person may elect
7 to receive the payments provided for in section 11 of P. L. 1944,
8 c. 255 or section 16 of P. L. 1964, c. 241, or a deferred retirement
9 allowance, beginning on the first day of the month following his
10 attainment of age 55 and the filing of an application therefor,
11 which shall consist of:

12 (1) An annuity which shall be the actuarial equivalent of his
13 aggregate contributions at the time of his severance from the
14 service and

15 (2) A pension in the amount which, when added to the member's
16 annuity, will provide a total retirement allowance of 2% of his
17 average final compensation multiplied by the number of years of
18 his creditable service up to 30 plus 1% of his average final
19 compensation multiplied by the number of years of creditable
20 service over 30, provided that such inactive member may elect
21 to receive payments provided under section 11 of P. L. 1944, c. 255
22 or section 16 of P. L. 1964, c. 241 if he had qualified under that
23 section at the time of leaving service, except that in order to avail
24 himself of the option, he must exercise such option at least 30
25 days before the effective date of his retirement. If such inactive
26 member shall die before attaining age 55, his aggregate contribu-
27 tions shall be paid in accordance with section 11 of P. L. 1944, c. 255
28 and, in addition if such inactive member shall die after attaining
29 age 55 but before filing an application for retirement benefits
30 pursuant to this section or section 16 of P. L. 1961, c. 241 and has
31 not withdrawn his aggregate contributions, or in the event of death
32 after retirement, an amount equal to one-half of the compensation
33 upon which contributions by the member to the annuity savings
34 fund were based in the last year of creditable service shall be paid
35 to such member's beneficiary.

36 Any member who, having elected to receive a deferred retirement
37 allowance, again becomes an employee covered by the retirement
38 system while under the age of 55, shall thereupon be reenrolled.
39 If he had discontinued his service for more than 2 consecutive
40 years, subsequent contributions shall be at his former rate increased
41 for the years of his inactive membership. He shall be credited with
42 all service as a member standing to his credit at the time of his
43 election to receive a deferred retirement allowance.

1 6. Section 28 of P. L. 1965, c. 89 (C. 53:5A-28) is amended to
2 read as follows:

3 28. a. Should a member, after having established ~~15~~ 10 years
4 of creditable service as a full time commissioned officer, noncom-
5 missioned officer or trooper of the Division of State Police, be
6 separated voluntarily or involuntarily from the service, before
7 reaching age 55, and not by removal for cause or charges of mis-
8 conduct or delinquency, such person may elect to receive the pay-
9 ments provided for in sections 26 or 27 or a deferred retirement
10 allowance, beginning on the first day of the month following his
11 attainment of age 55 and the filing of an application therefor, which
12 shall consist of:

13 (1) An annuity which shall be the actuarial equivalent of his
14 aggregate contributions at the time of his severance from the
15 service, and

16 (2) A pension in the amount which, when added to the member's
17 annuity, will provide a total retirement allowance of 2% of his final
18 compensation multiplied by his number of years of creditable ser-
19 vice up to 25 plus 1% of his final compensation multiplied by his
20 number of years of creditable service over 25, provided that such
21 inactive member may elect to receive payments provided under
22 sections 26 or 27 if he had qualified under that latter section at the
23 time of leaving service, except that in order to avail himself of
24 the option, he must exercise such option at least 1 month before
25 the effective date of his retirement. If such inactive member shall
26 die before attaining age 55, his aggregate contributions shall be
27 paid in accordance with section 26 and, in addition if such inactive
28 member shall die after attaining age 55 but before filing an applica-
29 tion for retirement benefits pursuant to this section or section 27
30 and for which benefits he would have qualified and has not with-
31 drawn his aggregate contributions, or in the event of death after
32 retirement, an amount equal to one-half of the final compensation
33 received by the member shall be paid to such member's beneficiary.

34 b. Deleted by amendment.

35 c. Any member who, having elected to receive a deferred retire-
36 ment allowance, again becomes an employee covered by the retire-
37 ment system while under the age of 55, shall thereupon be reen-
38 rolled. He shall be credited with all service as a member standing
39 to his credit at the time of his election to receive a deferred
40 retirement allowance.

1 7. (New section) Any saving realized by the Public Employees'
2 Retirement System, the Teachers' Pension and Annuity Fund, the

3 Police and Firemen's Retirement System, the Prison Officers' Pen-
4 sion Fund, the Judicial Retirement System, and the State Police
5 Retirement System as a result of any future increase in "regular
6 interest" as determined annually by the State Treasurer shall be
7 applied by the actuary towards meeting the cost of the additional
8 liability created by this act.

1 **[7.]** 8. This act shall take effect immediately.

STATEMENT

This bill decreases from 15 to 10 the number of years an individual must be a member of a pension fund before his retirement benefits are vested in the system. The vesting requirements are affected in six systems:

- Teachers' Pension and Annuity Fund
- Judicial Retirement System
- Prison Officers' Pension Fund
- Public Employees' Retirement System
- Police and Firemen's Retirement System
- State Police Retirement System

The fiscal note prepared for the bill indicates the total cost in fiscal year 1980 would be \$5.3 million of which \$3.2 million would be borne by the State and \$2.1 million by local governments. The fiscal year 1981 cost is estimated at \$5.7 million, the State share being \$3.4 million and \$2.3 million the local cost.

Changes in the annual interest rate assumptions made by the State Treasurer for the affected systems will be applied against the initial costs of the bill.

ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 267

STATE OF NEW JERSEY

DATED: APRIL 28, 1980

Assembly Bill No. 267 reduces from 15 to 10 the number of years an individual must be a member of a State-administered retirement system or pension fund before his benefits are "vested," that is, entitled to a deferred retirement allowance at age 60 or 55 depending on the provisions of the retirement system or pension fund. Six State systems will be affected by Assembly Bill No. 267:

Public Employees' Retirement System
Judicial Retirement System
Teachers' Pension and Annuity Fund
Police and Firemen's Retirement System
State Police Retirement System
Prison Officers' Pension Fund

The costs of this bill for fiscal year 1981 are estimated at \$5.7 million, the State share being \$3.4 million and local employers contributing \$2.3 million.

At least 39 states provide for vesting based on service of 10 years or less. In addition, the Federal Government in the Employees' Retirement Income Security Act of 1974 which sets minimum standards for most of the private sector retirement funds uses the 10 year provision as one of its alternative vesting standards.

SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 267

STATE OF NEW JERSEY

DATED: DECEMBER 11, 1980

Assembly Bill No. 267 reduces from 15 to 10 the number of years an individual must be a member of a State-administered retirement system or pension fund before his benefits are "vested," that is, entitled to a deferred retirement allowance at age 60 or 55 depending on the provisions of the retirement system or pension fund. Six State systems will be affected by A-267:

Public Employees' Retirement System
Judicial Retirement System
Teachers' Pension and Annuity Fund
Police and Firemen's Retirement System
State Police Retirement System
Prison Officers' Pension Fund

The costs of this bill for fiscal year 1981 are estimated at \$5.7 million, the State share being \$3.5 million and local employers contributing \$2.3 million. The committee finds this estimate based on the assumption that every individual with at least 10 years service and less than 15 years service will immediately vest pension rights. This is highly unlikely and actual costs will be a small fraction of that estimate.

At least 39 states provide for vesting based on service of 10 years or less. In addition, the Federal government in the Employees' Retirement Income Security Act of 1974 which sets minimum standards for most of the private sector retirement funds uses the 10 year provision as one of its alternative vesting standards.

FISCAL NOTE TO
ASSEMBLY, No. 267

STATE OF NEW JERSEY

DATED: APRIL 17, 1980

Assembly Bill No. 267 of 1980 amends the acts governing the several State-administered retirement systems to decrease the service requirement from 15 to 10 years of service. Any savings realized by any of the retirement systems resulting from an increase in regular interest is to be applied towards meeting the cost of this legislation. The bill is to take effect immediately.

The Division of Pensions comments:

“The total cost in fiscal 1981 would be \$5,651,200.00 of which the cost to the State would be \$3,394,500.00 while the cost to local employers would be \$2,256,700.00. This would increase in fiscal 1982 to \$6.1 million of which the State's share would be \$3.7 million, increasing in fiscal 1983 to \$6.5 million of which the State's share should be \$3.9 million. We should explain that while the legislation intends that the cost of this legislation be met by any saving which would follow as a result of the increase in the interest assumption, it must be appreciated that this is no saving. Obviously the cost to the public would be that much less if this legislation were not enacted. Moreover, as the interest assumption has been increased over the last several years and is near to the maximum level prescribed by the statutes, the chances are not likely that any increase in the interest assumption can be forecast for some time.”

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1962, c. 27.

JUNE 19, 1981

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A-1789, sponsored by Assemblyman Albert Burstein, which revises and clarifies the procedures for the removal or discipline of tenured faculty members at State or county colleges.

Under the bill, the Board of Trustees of a college could refer cases to an Administrative Law Judge or a subcommittee of three trustees for initial determination. A final decision would then be made by the full Board of Trustees. The Chancellor of Higher Education would hear appeals.

The measure will remove any doubt about the legality of using subcommittees of the trustee boards and will promote speed and efficiency in reaching personnel decisions.

A-3395, sponsored by Assembly Speaker Christopher J. Jackman (D-Hudson), which amends the State Lottery Law to exempt rules governing the lottery games from the jurisdiction of the Administrative Procedures Act.

The change applies only to the rules governing the games themselves; all other rules of the Lottery Commission would still be subject to the act.

A-1463, sponsored by Assemblywoman Hazel Gluck (R-Ocean), which permits a county or municipal consumer affairs office to keep any fines or penalties awarded in a successful consumer fraud prosecution which it has undertaken. Under prior law, the money went to the General State Fund.

In addition, the bill removes the prohibition on a municipality establishing a consumer affairs office if one already exists in the county in which the municipality is located, thus indirectly permitting both municipal and county offices.

S-654, sponsored by Senator Brian Kennedy (R-Monmouth), which amends the law granting property tax exemptions for disabled veterans and their widows to provide that the widow of a veteran who was killed in action who has not remarried and is a resident of the State may receive a property tax exemption on her primary place of residence.

A-267, sponsored by Assemblyman Vincent O. Pellechia (D-Passaic), which reduces the vesting period in six State-administered pension systems from 15 years to 10 years.

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The six systems are: Teachers' Pension and Annuity Fund; Judicial Retirement System; Prison Officers' Pension Fund; Public Employees' Retirement System; Police and Firemens' Retirement System; and the State Police Retirement System.

The bill does not liberalize benefits payable; it simply lowers the requirement to 10 years to qualify for benefits payable.

Federal law mandated a similar change in private pension systems, and a bill currently pending in Congress will require this change in public pension systems. Most other states already have a 10-year vesting system.

S-1000, sponsored by Senator Raymond Zane (D-Gloucester), which credits unclaimed funds from two dissolved egg cooperatives to the Poultry Products Promotion Tax Account.

The two cooperatives are the North Jersey Egg Auction Association of Wayne and the Central Jersey Farmers Cooperative Association of Hightstown.

A 1977 law did the same thing with funds from the Vineland Egg Auction; this bill amends that law to include North Jersey and Central Jersey cooperatives. Under current law, the money from Wayne and Hightstown would escheat to the State and be deposited in the General Fund. The Poultry fund is currently estimated at \$63,400 and will be used to promote and conserve New Jersey's poultry industry.

S-1238, sponsored by Senator Charles Yates (D-Burlington), which amends filing and tax payments dates under the Motor Fuels Tax Law.

Current law requires distributors to file a report and pay a tax of eight cents per-gallon by the 30th of each month for the preceeding month. This bill accelerates that date to the 22nd of each month for the preceeding month. For example, on the 22nd of June, distributors will be required to file their reports and pay taxes for the month of May.

S-1360, sponsored by Senator Walter Foran (R-Hunterdon), which provides for a check-off on State income tax forms for a portion of taxpayers refund to be applied to an "Endangered and Non-game Species of Wildlife Conservation Fund."