

43: 15A-16 et al

LEGISLATIVE HISTORY CHECKLIST

WJSA 18A:66-5 et al; 43:15A-16 et al (Retirement system - Equal contributions, benefits)

LAWS OF 1979 CHAPTER 106

Bill No. S3027

Sponsor(s) Lipman, Merlino

Date Introduced January 11, 1979

Committee: Assembly State Gov't., Federal & Interstate Relations & Veterans Affairs
Senate State Gov't., Federal & Interstate Relations & Veterans Affairs

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Following statements are attached if available:

Sponsor statement Yes XX

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Veto message XXXX No

Message on signing XXXX No

Following were printed:

Reports XXXX No

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Case cited in Committee Statements:

City of Los Angeles v. Manhart, 435 US 702, 98 S. Ct. 1370, 55 L.Ed. 2d 657 (1978)

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CHAPTER 106 LAW OF 1979  
APPROVED 6-10-79

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SENATE, No. 3027

# STATE OF NEW JERSEY

INTRODUCED JANUARY 11, 1979

By Senators LIPMAN and MERLINO

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

AN ACT concerning certain State administered retirement systems,  
\*\*\***[\*and\*]**\*\*\* providing for an equality in contributions by  
members **\*[thereof and for funding of certain benefits relating  
thereto and revising parts of the statutory law]\*** \*\*\**thereof,  
and revising parts of the statutory law*\*\*\*.

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

1 \***[1. Section 1 of P. L. 1958, c. 143 (C. 43:3B-1) is amended to**  
2 read as follows:

3 1. As used in this act:

4 a. "Retirant" means any person who was employed by the State  
5 of New Jersey, any of its instrumentalities, any of its political  
6 subdivisions or any of the instrumentalities of its political sub-  
7 divisions, retired from such employment and, as a result of such  
8 employment, is receiving a retirement allowance or pension from  
9 a retirement system or under any law administered by the Division  
10 of Pensions of the State of New Jersey, other than one providing  
11 for individual annuity contracts purchased from private insurers.

12 b. "Survivorship benefit" means a monthly annuity to the  
13 designee of a retirant who, at retirement, elected Option II, III or  
14 IV pursuant to the provisions of N. J. S. 18A:66-47 or P. L. 1954,  
15 c. 84, s. 50 (C. 43:15A-50) or P. L. 1944, c. 255, s. 12 (C. 43:16A-12),  
16 but it shall not mean (1) an annuity based on settlement of a self-  
17 insured or insured lump sum death benefit or in lieu of a lump sum

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

18 death benefit, (2) an annuity based on the return of the member's  
 19 contributions or (3) any life annuity settlement payable under  
 20 Option I as provided by the aforesaid sections of the statutory law.

21 c. "Beneficiary" means any person who is receiving a pension  
 22 as the result of the death of an active or retired member of a State  
 23 administered retirement system or who is receiving a survivorship  
 24 benefit.

25 d. "Benefit year" means:

26 (1) the calendar year 1966 for:

27 (a) all retirants who retired before the calendar year 1955;

28 and

29 (b) all beneficiaries of members who retired or died before  
 30-31 the calendar year 1955 except those beneficiaries covered by

32 (4) of this subsection;

33 (2) the actual calendar year of retirement for:

34 (a) all members who retired after 1954; and

35 (b) all beneficiaries of retirants who retired after 1954  
 36 except those beneficiaries covered by (4) of this subsection;

37 (3) the actual calendar year of death for all beneficiaries of  
 38 members who died after 1954 except those beneficiaries covered  
 39 by (4) of this subsection;

40 (4) the calendar year<sup>1</sup>:

41 (a) 1967 for all beneficiaries of active or retired members  
 42 entitled to receive increased pensions in 1967 in accordance  
 43 with R. S. 43:16-3(c);

44 (b) 1968 for all beneficiaries of members entitled to receive  
 45 increased pensions in 1968 in accordance with R. S. 43:16-4(b);

46 (c) 1968 for all beneficiaries of active or retired members  
 47 entitled to receive increased pensions in 1968 in accordance with  
 48 P. L. 1967, c. 250, s. 26 (C. 43:16A-12.1);

49 (d) 1969 for all beneficiaries of active or retired members  
 50 entitled to receive increased pensions in 1969 in accordance  
 51 with P. L. 1941, c. 220, s. 3 (C. 43:7-9) as amended<sup>2</sup>.

52 *in which legislation became effective for all beneficiaries of active*  
 53 *or retired members, entitled to receive increased pensions as a*  
 54 *result of such legislation, establishing or increasing minimum pen-*  
 55 *sions or providing blanket increases in pensions.*

56 e. "Calendar year" means the 12-month period beginning Janu-  
 57 ary 1 and ending December 31.

58 f. "Index" shall mean the annual average over a 12-month  
 59 period, beginning September 1 and ending August 31, of the Con-  
 60 sumer Price Index for Urban Wage Earners and Clerical Workers,

61 All Items Series A, of the United States Department of Labor  
 62 (1957-1959 = 100). Should the reference base of said index be  
 63 changed, the index used to determine the Consumer Price Index  
 64 as defined herein will be the index converted to the new base by  
 65 standard statistical methods. The annual average index so calcu-  
 66 lated shall be the index for the calendar year in which the 12-month  
 67 period ends.

68 g. "Benefit year index" shall be the index of the benefit year.

69 h. "Fiscal year" means the 12-month period beginning July 1  
 70 and ending June 30, unless otherwise stipulated.

71 This act shall be known and may be cited as the "Pension Ad-  
 72 justment Act."\*]

1 \* [2. Section 4 of P. L. 1958, c. 145 (C. 43:3B-4) is amended to  
 2 read as follows:

3 4. Except in the case of retirants and beneficiaries of the  
 4 Teachers' Pension and Annuity Fund, each employer shall bear  
 5 the cost of the adjustment in the retirement allowances or pensions  
 6 payable to retirants who retired from the employ of such employer  
 7 and the cost of the adjustment in the survivorship benefits or  
 8 pensions payable to beneficiaries of active or retired members who  
 9 were in the employ of such employer at the time of the member's  
 10 death or retirement. [Certification of the amounts due shall be  
 11 made by the Director of the Division of Pensions to each employer  
 12 other than the State, prior to December 1 of each year. Each em-  
 13 ployer shall appropriate the amounts so certified in the fiscal year  
 14 next following its fiscal year in which such certification is made.  
 15 Such amounts shall be paid by each employer to the Division of  
 16 Pensions by March 30 of each year in the case of employers whose  
 17 fiscal year extends from January 1 to December 31, and by July  
 18 30 of each year in the case of each employer whose fiscal year  
 19 extends from July 1 of a given calendar year to June 30 of the  
 20 following calendar year. In making such certifications to employers  
 21 the Director of the Division of Pensions shall take into account  
 22 payments made by the employer, payments to retirants and  
 23 beneficiaries of former employees of such employer, prospective  
 24 payments to be made to such retirants and beneficiaries in the  
 25 following year and necessary administrative costs on behalf of  
 26 such retirants and beneficiaries.]

27 [The Director of the Division of Pensions shall certify annually  
 28 to the Director of the Division of Budget and Accounting the  
 29 amount necessary to provide for the remaining cost of the adjust-  
 30 ments in retirement allowances, pensions and survivorship benefits  
 31 and necessary administrative costs.]

32    **【**Payment of invoices rendered by the Division of Pensions to  
 33 public employers for the amounts required to meet the employer's  
 34 obligation under the act shall be made payable to "State of New  
 35 Jersey, Pension Increase Fund." **】**

36    **【**If payment of the full amount of such employer obligation is not  
 37 made within 30 days of the due date, interest at the rate of 6% per  
 38 annum shall commence to run against the unpaid balance thereof  
 39 on the first day after such thirtieth day. **】**

40    **【**The employer's failure to pay invoices within 30 days after  
 41 being notified of his delinquency shall result in the suspension of  
 42 payments under this act to eligible retirants and beneficiaries of  
 43 former employees of the employer on the first of the month 30 days  
 44 subsequent thereto. The Office of the Attorney General shall act to  
 45 collect such outstanding amounts. At the request of the Attorney  
 46 General, delinquent payments, including interest charges, may be  
 47 deducted from any moneys payable to such local government em-  
 48 ployers by any department or agency of the State. **】**

49    *The cost of such adjustments, as computed by the Director of the*  
 50 *Division of Pensions, shall, following the effective date of this 1979*  
 51 *amendatory and supplementary act, be met from the assets of each*  
 52 *retirement system administered by the Division of Pensions. The*  
 53 *liability pertaining to those retired prior to the effective date of*  
 54 *this 1979 amendatory and supplemental act shall be met on a cash*  
 55 *disbursement basis and all subsequent adjustments shall be funded*  
 56 *on a terminal reserve basis as determined by the actuary of the*  
 57 *respective system, phased in over a 10-year period. All payments*  
 58 *made pursuant to this act shall be made from the pension adjust-*  
 59 *ment reserve funds established in each system. **】\****

1    \***【**3. Section 5 of P. L. 1958, c. 143 (C. 43:3B-5) is amended to  
 2 read as follows:

3    5. The adjustment in retirement allowances, pensions and sur-  
 4 vivorship benefits provided for under this act and under section 6  
 5 of P. L. 1969, c. 169 **【**(C. 43:3B-6) **】** (C. 43:3B-7) shall commence  
 6 with retirement allowance, pension and survivorship benefit pay-  
 7 ments for the month of January 1978, except **【**as hereinafter speci-  
 8 fied, provided, that there is appropriated the amount certified by  
 9 the Director of the Division of Pensions to the Director of the  
 10 Division of Budget and Accounting as set forth in section 4 hereof.  
 11 In **】** in the case of any retirant or beneficiary first becoming eligible  
 12 to receive an adjustment under the provisions of section 6 of P. L.  
 13 1969, c. 169 (C. 43:3B-7), such adjustment shall be paid beginning  
 14 in the twenty-fifth month in which he is entitled to receive his re-  
 15 tirement allowance, pension or survivorship benefit. **【**The adjust-

16 ment in retirement allowances, pensions and survivorship benefits  
 17 shall continue to be paid as long as there shall be appropriated the  
 18 amounts so certified. In the event that the necessary funds are not  
 19 so appropriated, the adjustment in retirement allowances, pensions  
 20 and survivorship benefits shall cease; no further payments shall  
 21 be made by other employers; refunds shall be made by the Director  
 22 of the Division of Pensions to all employers of any balances un-  
 23 expended on their account; and charges shall be certified by the  
 24 Director of the Division of Pensions to all employers of any  
 25 amounts which have been paid on behalf of the retirants and bene-  
 26 ficiaries of former employees of such employer for which funds  
 27 have not been paid to the Division of Pensions by the employer.  
 28 In the event that any such charges are certified, provision for  
 29 payment shall be made by the employer in the budget for the en-  
 30 suing fiscal year.]]\*

1 \*[[4. Section 6 of P. L. 1969, c. 169 (C. 43:3B-7) is amended to  
 2 read as follows:

3 6. a. On or before October 1, 1977 and by the same date in each  
 4 subsequent year, the Director of the Division of Pensions shall  
 5 review the index and determine the percentum of change in the  
 6 index from the benefit year index. In determining the percentum  
 7 of change the director shall use the index for the year ending the  
 8 August 31 prior to the date of review, dividing such index by the  
 9 benefit year index and then subtracting 100% from the resulting  
 10 quotient expressed to the nearest 1/100 of 1%. The percentage of  
 11 adjustment shall be  $\frac{3}{5}$  of the percentum of change. Any adjust-  
 12 ment so calculated shall apply to all of the months of the fol-  
 13 lowing calendar year for eligible retirants and beneficiaries,  
 14 except for those qualifying for the first time, it shall apply only  
 15 to those months of the following calendar year in which the re-  
 16 tirant or beneficiary is eligible to receive the adjustment.

17 The director shall [[include (a) his corpus appropriation request  
 18 for the administration of the act on behalf of those retirants and  
 19 beneficiaries for whom the State assumes the costs attributable to  
 20 this act, and, (b) in his certification of amounts due from each em-  
 21 ployer in accordance with section 4 of the Pension Adjustment Act,]]  
 22 compute amounts sufficient to adjust the retirement allowances, sur-  
 23 vivorship benefits or pensions payable to all eligible retirants and  
 24 beneficiaries by  $\frac{3}{5}$  of the percentum of change in the index as such  
 25 retirement allowances, survivorship benefits or pensions may have  
 26 been originally granted, or increased for certain retirants or bene-  
 27 ficiaries in accordance with section 3 of the Pensions Adjustment  
 28 Act. In no instance shall the amount of the retirement allowance

29 or pension originally granted and payable to any retirant be re-  
 30 duced as a result of the adjustment made pursuant to the provi-  
 31 sions of P. L. 1969, c. 169.

32 b. For purposes of this act a "retirant" shall mean any retirant  
 33 who has or shall have received a retirement allowance or pension  
 34 for no less than 24 months and a "beneficiary" shall mean any  
 35 beneficiary who has or shall have received for no less than 24  
 36 months a pension, or survivorship benefit, or **[whose]** *an* increased  
 37 pension pursuant to the provisions of the statutes stipulated in  
 38 subsection d.(4) of section 1 of the act to which this act is an amend-  
 39 ment (C. 43:3B-1). In the case of beneficiaries, all or any part  
 40 of the 24-month period shall include the period in which the retirant  
 41 was entitled to receive his retirement allowance or pension. **.]\***

1 \***[5.** Section 7 of P. L. 1969, c. 169 (C. 43:3B-8) is amended to  
 2 read as follows:

3 7. If legislation is adopted providing for a blanket increase in  
 4 original retirement allowances, survivorship benefits or pensions  
 5 or for minimum allowances, benefits or pensions to any group of  
 6 retirants or beneficiaries eligible for benefits under the Pension  
 7 **[Increase]** *Adjustment* Act, other than legislation which was  
 8 enacted prior to 1971, all **[increases]** *adjustments* provided under  
 9 this act shall be terminated on the first of the month when such  
 10 blanket increases or minimum pensions are payable, except in those  
 11 instances where the retirant's or beneficiary's original pension plus  
 12 the **[increases]** *adjustments*, determined annually as provided  
 13 under the Pension **[Increase]** *Adjustment* Act, will exceed the  
 14 amounts payable to such retirants or beneficiaries as a result of  
 15 such other legislation; in such event the amount payable under the  
 16 Pension **[Increase]** *Adjustment* Act shall thereafter be the differ-  
 17 ence between the new allowance or pension payable by the respec-  
 18 tive retirement system and the amount which would otherwise have  
 19 been paid under this act. **.]\***

1 \***[6.]** \*1.\* Section 16 of P. L. 1954, c. 84 (C. 43:15A-16) is  
 2 amended to read as follows:

3 16. The **[board of trustees]** *retirement system* shall classify the  
 4 members in such **[group or]** groups by **[occupation or sex]** *age*  
 5 as it may determine for actuarial purposes.

6 The **\*\*\*[board]\*\*\*** **\*\*\*system\*\*\*** shall further classify the  
 7 membership by benefit rates as Class A or Class B members, as  
 7A follows:

8 "Class A" shall include those members whose annuity shall be  
 9 based on a per centum of salary, computed to be sufficient, with  
 10 regular interest, to procure for the member, on retirement for

11 service, an annuity equal to 1/140 of his final compensation for each  
12 year of service as a member.

13 "Class B" shall include those members who have elected or who  
14 shall hereafter elect to contribute to the annuity savings fund at a  
15 higher rate per centum, computed to be sufficient, with regular in-  
16 terest, to procure for the member, on retirement for service, an  
17 annuity equal to 1/120 of his final compensation for each year of  
18 service as a member.

19 Any new member after the effective date of this section shall be  
20 placed in "Class B."

1 \***[7.]**\* \*2.\* Section 19 of P. L. 1951, c. 84 (C. 43:15A-19) is  
2 amended to read as follows:

3 19. The actuary shall recommend, and the Division of Pensions  
4 shall keep in convenient form, such data as shall be necessary for  
5 actuarial valuation of the various funds created by this act. At  
6 least once in every 3-year period, the actuary shall make an actu-  
7 arial investigation into the mortality, service, and compensation  
8 or salary experience of the members and beneficiaries as defined  
9 in this chapter and shall make a valuation of the assets and lia-  
10 bilities of the various funds created by this act. Upon the basis of  
11 such investigation and valuation, with the advice of the actuary,  
12 the board shall:

13 a. Adopt for the retirement system such mortality, service and  
14 other tables as shall be deemed necessary;

15 **[b.** Certify the rates of deduction from compensation computed  
16 to be necessary to pay the annuities authorized under the provisions  
17 of this act;] and,

18 **[c.] b.** Certify the rates of contribution, expressed as a propor-  
19 tion of the compensation of members which shall be made by the  
20 State and other employers to the contingent reserve fund.

1 \***[8.]**\* \*3.\* Section 25 of P. L. 1954, c. 84 (C. 43:15A-25) is  
2 amended to read as follows:

3 25. The annuity savings fund shall be the fund in which shall be  
4 credited accumulated deductions and contributions by members or  
5 on their behalf to provide for their allowances. A single account  
6 shall be established in this fund for each person who is or shall  
7 become a member and all contributions deducted from each such  
8 member's compensation shall be credited to his account regardless  
9 of the number of positions a member might hold or the number of  
10 employers as he might have.

11 **[**Upon the basis of such tables recommended by the actuary as the  
12 board adopts, and regular interest, the actuary of the board shall  
13 determine for each member the proportion of compensation, ex-



14 clusive of the rate for any additional death benefit provided under  
 15 section 57 of this act which, when deducted from each payment of  
 16 his prospective earnable compensation prior to service retirement  
 17 and accumulated at regular interest until he retires, shall be com-  
 18 puted to be sufficient to provide, at that time, an annuity equal to  
 19  $\frac{1}{2}$  of the retirement allowance then allowable for service as a  
 20 member.】

21 Any member who was contributing to the former “State Em-  
 22 ployees’ Retirement System” shall continue to pay the proportion  
 23 of compensation applicable to the age at enrollment, which pro-  
 24 portion shall not be increased during the continuation of member-  
 25 ship other than as provided in *\*\*\*this section or\*\*\** section 58, and  
 26 shall make any special payments either as lump sums or as install-  
 27 ment payments required as a result of election by the member to  
 28 obtain additional service credit. Members enrolling on and after  
 29 January 2, 1955 shall contribute at the proportions applicable to  
 30 group two members of the former “State Employees’ Retirement  
 31 System” as of June 30, 1949【, except that the board of trustees  
 32 may from time to time adopt for employees becoming members  
 33 thereafter, new proportions of compensation to be determined as  
 34 provided in the preceding paragraph】. No member shall be re-  
 35 quired during the continuation of his membership to increase the  
 36 proportion of compensation certified at the time of becoming a  
 37 member as payable by him other than as provided in *this section*  
 37A 【58】 *\*\*\*or section 58\*\*\**.

38 *As of the effective date of this amendatory and supplementary*  
 39 *act, all members shall contribute, \*\*\*as shall be determined by the*  
 40 *actuary,\*\*\* exclusive of the rate for any additional death benefit*  
 41 *provided under section 57 (C. 43:15A-57)\*\*\*,\*\*\* at \*【the】\* pro-*  
 42 *portions \*\*of compensation\*\* \*intermediate between the rates\**  
 42A *previously applicable to \*male and to\* female members\*\*, provided*  
 42B *that \*\*\*in order to attain such intermediate point, the adjustment*  
 43 *of\*\*\* such proportions shall be the minimum \*\*\*necessary\*\*\* in-*  
 43A *crease or decrease in the contributions of members of the retire-*  
 43B *ment system as such membership is constituted on the effective*  
 43C *date of this act\*\* \*【, provided, however, that all such rates shall be*  
 43D *reduced by 25% of the difference between prior male and female*  
 43E *rates at all ages】\*.*

44 The retirement system shall certify to each State department or  
 45 subdivision thereof, and to each branch of the State service not in-  
 46 cluded in a State department, and to every other employer, the  
 47 proportion of each member’s compensation to be deducted and to  
 48 facilitate the making of deductions the retirement system may

49 modify the deduction required by a member by such an amount as  
 50 shall not exceed 1/10 of 1% of the compensation upon the basis of  
 51 which the deduction is to be made.

52 If payment in full, representing the monthly or biweekly trans-  
 53 mittal and report of salary deductions, is not made within 15 days  
 54 of the due date established by the retirement system, interest at  
 55 the rate of 6% per annum shall commence to run against the total  
 56 transmittal of salary deductions for the period on the first day  
 57 after such fifteenth day.

58 Every employee to whom this act applies shall be deemed to  
 59 consent and agree to any deduction from his compensation required  
 60 by this act and to all other provisions of this act. Notwithstanding  
 61 any other law, rule or regulation affecting the salary, pay, com-  
 62 pensation, other perquisites, or tenure of a person to whom this  
 63 act applies, or shall apply, and notwithstanding that the minimum  
 64 salary, pay, or compensation or other perquisites provided by law  
 65 for him shall be reduced thereby, payment, less such deductions,  
 66 shall be a full and complete discharge and acquittance of all claims  
 67 and demands for service rendered by him during the period covered  
 68 by such payment.

1 \***[9.]**\* \*\*\***[\*4.\*** Section 58 of P. L. 1954, c. 84 (C. 43:15A-58) is  
 2 amended to read as follows:

3 58. **[**Prior to January 1, 1960, contributions to the social security  
 4 fund by members of the retirement system shall be deducted from  
 5 the contributions required to be paid to the retirement system by  
 6 such members as provided in section 25 of this act. On and after  
 7 January 1, 1960, and prior to January 1, 1967, amounts equal to the  
 8 social security contributions by each member upon compensation  
 9 upon which such member's contributions to the retirement system  
 10 are based shall be deducted from the contributions required to be  
 11 paid to the retirement system by such member to the extent of the  
 12 social security rate of contribution in effect on December 31, 1959.  
 13 Effective January 1, 1967, and thereafter,**]** *As of the effective date*  
 14 *of this 1979 amendatory and supplementary act*, an amount equal  
 15 to 2% of the compensation **[**subject to social security**]**, upon which  
 16 such member's contributions to the retirement system are based,  
 17 shall be deducted from the contributions required to be paid to the  
 18 retirement system by such member as provided in sections 25 and  
 18A 60 of this act.

19 Contributions by members of the retirement system to the social  
 20 security fund shall be made in the manner prescribed by the State  
 21 agency for social security. Contributions to the social security  
 22 fund shall not be subject to any provisions of this act, dealing with

23 the withdrawal of contributions, loans, or the payment of any  
 24 annuities, pensions, disability or death benefits. [Any change in  
 25 the rate of contribution to the social security fund after Decem-  
 26 ber 31, 1959, shall result in a corresponding change in the amount  
 27 of contributions payable by the members to social security.]

28 [In the event a member of the retirement system is also a  
 29 member of another retirement system, supported in whole or in  
 30 part by the State or by an interstate instrumentality in which the  
 31 State participates, which provides for a reduction in the amount  
 32 of the retirement allowance by the amount of the member's social  
 33 security benefit, the amount of the social security contribution to  
 34 be deducted from the member's contribution to this retirement  
 35 system shall be computed on the basis of the proportion that the  
 36 member's compensation subject to this retirement system bears  
 37 to the member's total compensation subject to such systems.]\*\*\*

1 \* [10.] \* \*\*\* [5.\*] \*\*\* 4.\*\*\* Section 60 of P. L. 1954, c. 84  
 2 (C. 43:15A-60) is amended to read as follows:

3 60. a. Each public employee veteran member shall have returned  
 4 to him his accumulated deductions as of January 2, 1955. All  
 5 service rendered in office, position, or employment of this State or  
 6 of a county, municipality, school district, board of education, or  
 7 other public employer, or service rendered for the State University  
 8 of New Jersey, an instrumentality of this State, after April 16,  
 9 1945, and the New Jersey State Agricultural Experiment Station  
 10 established by an act approved March 10, 1880 (P. L. 1880, c. 106  
 11 and continued pursuant to chapter 16 of Title 4 of the Revised  
 12 Statutes), an instrumentality of this State, excluding service ren-  
 13 dered as county extension service farm and home demonstration  
 14 agents, by such veteran member previous to January 2, 1955, for  
 15 which evidence satisfactory to the retirement system is presented,  
 16 shall be credited to him as a "Class B" member and the obligation  
 17 of the employer on account of such credit shall be known as the  
 18 accrued liability on behalf of such veteran member; provided,  
 19 however, that no credit shall be allowed for such service rendered  
 20 prior to January 2, 1955 unless the member purchases credit for all  
 21 eligible service rendered on or after such date.

22 b. The accrued liability on behalf of State employee veteran mem-  
 23 bers including veteran members employed by the State University  
 24 of New Jersey or by the New Jersey Agricultural Experiment  
 25 Station shall be paid by the State as provided in section 24. The  
 26 accrued liability on behalf of other public employee veteran mem-  
 27 bers shall be paid by their employers, as of January 2, 1955, or the  
 28 date of the next annual valuation of the retirement system follow-

29 ing his enrollment, whichever is later, in the same manner as pro-  
 30 vided in the case of State employee veteran members in section 24.  
 31 The retirement system shall certify to the chief fiscal officer of the  
 32 employer the accrued liability contribution payable by such em-  
 33 ployer on behalf of veteran members.

34 c. Each public employee veteran members shall make contribu-  
 35 tions to the retirement system at the rates of contribution appli-  
 36 cable to Class B members of group two of the former "State  
 37 Employees' Retirement System" as of June 30, 1949, as provided  
 38 in section 25. Each public employee veteran member shall pay the  
 39 proportion of compensation applicable to his age at the commence-  
 40 ment of employment, position or office with the State, any county,  
 41 municipality or school district, board of education, or other public  
 42 employer except that where such service has not been continuous,  
 43 the public employee veteran member shall pay the proportion of  
 44 compensation applicable to the age resulting from the subtraction  
 45 of his years of service from his age as of January 2, 1955. No  
 46 public employee veteran member shall be required during the  
 47 continuation of his membership to increase the proportion of  
 48 compensation certified at the time of becoming a member as payable  
 49 by him, except as provided in section **【58 (C. 43:15A-58)】**  
 50 *25 (C. 43:15A-25) \*\*\*or section 58 (C. 43:15A-58)\*\*\*.*

51 d. In the event that a public employee veteran who prior to  
 52 January 2, 1955 rendered service in office, position or employment  
 53 of this State, including such service rendered for any instrumen-  
 54 tality enumerated in paragraph a. of this section, or of a county,  
 55 municipality, or school district, board of education, or other public  
 56 employer, but who is not in such office, position or employment  
 57 on January 2, 1955, shall later become a member of the retirement  
 58 system, such public employee veteran member shall receive prior  
 59 service credit for service rendered prior to January 2, 1955, for  
 60 which evidence satisfactory to the retirement system is presented,  
 61 and shall pay the proportion of compensation, applicable to the  
 62 age resulting from the subtraction of his years of such prior service  
 63 from his age on the date of his becoming a member of the retirement  
 64 system as provided in section 25 (C. 43:15A-25). The employer of  
 65 such public employee veteran on the date of his becoming a member  
 66 shall pay the accrued liability on behalf of such prior service, and  
 67 such liability shall be paid in such a manner that the total obligation  
 68 will be met within the period of time fixed for the liquidation of  
 69 such accrued liability of the employer.

1 \***【11.】**\* \*\*\***【6.】**\*\*\* \*\*5\*\*\* N. J. S. 18A:66-5 is amended to  
 1A read as follows:

2 18A:66-5. The retirement system shall classify the members in  
3 such [group or] groups by age [or sex] as it may determine for  
4 actuarial purposes.

5 The system shall further classify the membership by benefit rates  
6 as class A or class B members, as follows:

7 "Class A" shall include those members who contribute to the  
8 annuity savings fund at a per centum salary, computed to be  
9 sufficient, with regular interest, to procure for the member, one re-  
10 tirement for service, an annuity equal to  $\frac{1}{140}$  of his final compensa-  
11 tion for each year of service as a member.

12 "Class B" shall include those members who have elected or who  
13 shall hereafter contribute to the annuity savings fund at a higher  
14 rate per centum, computed to be sufficient, with regular interest, to  
15 procure for the member, on retirement for service, an annuity equal  
16 to  $\frac{1}{120}$  of his final compensation for each year of service as a  
17 member.

18 Any member on December 31, 1955, may by his election contribute  
19 to the retirement system at the rate of contribution applicable to  
20 class B members of the public employees' retirement system as of  
21 January 2, 1955, based upon the member's age when he last became  
22 a member. He shall thereafter be classified as a class B member.  
23 Any such member may elect to increase his accumulated deductions  
24 by the amount deemed necessary by the board of trustees on the  
25 advice of the actuary in order to receive credit as a class B member  
26 for all or part of his service prior to the date of such election. The  
27 board of trustees shall establish the necessary rules governing the  
28 election by members of class B credit for all service.

29 Any member on December 31, 1955, who is not a veteran and who  
30 does not elect to receive class B credit for all or any portion of his  
31 service shall receive credit as a class A member for all service not  
32 credited as class B service. Any such member who does not elect  
33 class B membership shall contribute at the rate of contribution  
34 initially certified to him upon his last becoming a member; pro-  
35 vided, however, that any such person who became a member after  
36 June 30, 1946, shall have his contributions on and after January 1,  
37 1955, based on the rates of contribution applicable on June 30,  
38 1946, for his age [and sex] at the time he last became a member.

1 \***[12.]**\* \*\*\***[\*7.\*]**\*\*\* \*\*\*6.\*\*\* N. J. S. 18A:66-29 is amended to  
1A read as follows:

2 18A:66-29. **[**Upon the basis of such tables as the board adopts,  
3 and regular interest, the actuary of the board shall determine for  
4 each member the proportion of compensation, exclusive of the rate  
5 for any additional death benefit provided under section 18A:66-53,

6 which, when deducted from each payment of his prospective earn-  
 7 able compensation prior to service retirement and accumulated at  
 8 regular interest until he retires, shall be computed to be sufficient  
 9 to provide, at that time, an annuity equal to one half of the retire-  
 10 ment allowance then allowable for service as a member after the  
 11 establishment of the retirement system.】

12 Any member of the retirement system as of January 1, 1956,  
 13 shall pay the proportion of compensation as provided by section  
 14 18A:66-5 applicable to the age at enrollment, which proportion  
 15 shall not be increased during the continuation of membership  
 16 other than as provided in *\*\*\*this section or\*\*\** section 18A:66-67,  
 17 and shall make any special payments either as lump sums or as  
 18 installment payments as required by the board of trustees as a  
 19 result of election by the member to obtain additional service credit.  
 20 Members enrolling on and after January 1, 1956 shall contribute  
 21 at the proportions applicable to class B members of the “public  
 22 employees’ retirement system” as of January 2, 1955\*\*\*【, except  
 23 that the board of trustees may from time to time adopt for em-  
 24 ployees becoming members thereafter new proportions of com-  
 25 pensation to be determined as provided in the preceding para-  
 26 graph】\*\*\*. No member shall be required during the continuation  
 27 of his membership to increase the proportion of compensation  
 28 certified at the time of becoming a member as payable by him other  
 29 than as provided in *this section* 【18A:66-67】 *\*\*\*or section*  
 29A *18A:66-67\*\*\**.

30 *As of the effective date of this 1979 amendatory and supple-*  
 31 *mentary act, all members shall contribute, \*\*\*as shall be determined*  
 32 *by the actuary,\*\*\* exclusive of the rate for any additional death*  
 33 *benefit provided under section 18A:66-53, at \*\*\*【the】\*\*\* pro-*  
 34 *portions \*\*【applicable to \*【female】\* members of the “Public Em-*  
 35 *ployees’ Retirement System.”】\*\* \*\*of compensation intermediate*  
 36 *between the rates previously applicable to male and to female*  
 37 *members, provided that \*\*\*in order to attain such intermediate*  
 38 *point, the adjustment of\*\*\* such proportions shall be the mini-*  
 39 *imum \*\*\*necessary\*\*\* increase or decrease in the contributions of*  
 40 *members of the fund as such membership is constituted on the*  
 41 *effective date of this act.\*\**

1 \*【13.】\* \*\*\*【\*8.\*】\*\*\* \*\*\*7.\*\*\* N. J. S. 18A:66-58 is amended to  
 1A read as follows:

2 18A:66-58. The actuary shall recommend, and the Division of  
 3 Pensions shall keep in convenient form, such data as shall be neces-  
 4 sary for actuarial valuation of the various funds created by this

5 article. At least once in every 3-year period the actuary shall make  
 6 an actuarial investigation into the mortality, service and compen-  
 7 sation or salary experience of the members and beneficiaries as  
 8 defined in this article and shall make a valuation of the assets and  
 9 liabilities of the various funds created by this article. Upon the  
 10 basis of such investigation and valuation, with the advice of the  
 11 actuary, the board shall:

12 (a) Adopt for the retirement system such mortality, service and  
 13 other tables as shall be deemed necessary;

14 **[(b) Certify the rates of deduction from compensation computed**  
 15 **to be necessary to pay the annuities authorized under the provisions**  
 16 **of this article;]** and

17 **[(c)]** *b.* Certify the rates of contribution, expressed as a pro-  
 18 portion of the compensation of members, which shall be made by  
 19 the State to the contingent reserve fund.

1 \***[14.]**\* \*\*\***[\*9.\*** N. J. S. 18A:66-67 is amended to read as  
 1A follows:

2 18A:66-67. **[(Prior to January 1, 1960, amounts equal to the**  
 3 **social security contributions by each member upon compensation**  
 4 **upon which such member's contributions to the retirement system**  
 5 **are based shall be deducted from the contributions required to be**  
 6 **paid to the retirement system by such member as provided in**  
 7 **section 18A:66-29. On and after January 1, 1960, and prior to**  
 8 **January 1, 1967, amounts equal to the social security contributions**  
 9 **by each member upon compensation upon which such member's**  
 10 **contributions to the retirement system are based shall be deducted**  
 11 **from the contributions required to be paid to the retirement system**  
 12 **by such member to the extent of the social security rate of con-**  
 13 **tributions in effect on December 31, 1959. Effective January 1,**  
 14 **1967, and thereafter,]** *As of the effective date of this 1979 amenda-*  
 15 *tory and supplementary act, an amount equal to 2% of the com-*  
 16 *penetration* **[(subject to social security)],** upon which such member's  
 17 contributions to the retirement system are based, shall be deducted  
 18 from the contributions required to be paid to the retirement system  
 19 by such member as provided in sections 18A:66-29 and 18A:66-70.  
 20 **[(Any change in the rate of contribution to the social security**  
 21 **fund after December 31, 1959, shall result in a corresponding**  
 22 **change in the amount of contributions payable by the member to**  
 23 **social security.)]**

24 Contributions by members of the retirement system to the social  
 25 security fund shall be made in the manner prescribed by the State  
 26 agency for social security. Contributions to the social security fund

27 shall not be subject to any provision of this article dealing with the  
28 withdrawal of contributions, loans, or the payment of any annuities,  
29 pension, disability or death benefits.

30 **¶**In the event a member of the retirement system is also a member  
31 of another retirement system, supported in whole or in part by  
32 the State or by an interstate instrumentality in which this State  
33 participates, which provides for a reduction in the amount of the  
34 retirement allowance by the amount of the member's social security  
35 benefit, the amount of the social security contribution to be deducted  
36 from the member's contribution to this retirement system shall be  
37 computed on the basis of the proportion that the member's com-  
38 pensation subject to this retirement system bears to the member's  
39 total compensation subject to such systems. **¶**\*\*\*

1 **¶**15. **¶**10. (New section) As of the effective date of this  
2 1979 amendatory and supplementary act, annuity values for all  
3 members, including actuarial equivalents under optional selections,  
4 shall be those applicable to male members of the respective retire-  
5 ment system. **¶**\*\*\*

1 \*\*\*8. (New section) *Annuity values, including actuarial equival-*  
2 *ents under optional selections, for all members of the Public Em-*  
3 *ployees Retirement System shall be determined without reference*  
4 *to sex; provided, however, that this amendatory and supplementary*  
5 *act shall not limit the actuary from using sex as a factor in the*  
6 *actuarial valuation required pursuant to section 19 of P. L. 1954,*  
7 *c. 84 (C. 43:15A-19).*

1 9. (New section) *Annuity values, including actuarial equiva-*  
2 *lents under optional selections, for all members of the Teachers'*  
3 *Pension and Annuity Fund shall be determined without reference*  
4 *to sex; provided, however, that this amendatory and supple-*  
5 *mentary act shall not limit the actuary from using sex as a factor*  
6 *in the actuarial valuation required pursuant to N. J. S.*  
7 *18A:66-58.*\*\*\*

1 **¶**16. **¶**11. **¶**10. (New section) This amendatory  
2 and supplementary act (a) shall not alter any purchase arrange-  
3 ment or compulsory contribution requirement appropriate to  
4 members of the retirement systems as such may have been  
5 established prior to the effective date; and (b) shall not have retro-  
6 active effect and as such shall not increase, decrease or in any way  
7 change the benefits paid or payable prior to the effective date.

1 **¶**17. Sections 1 through 7 of this act shall take effect with the  
2 beginning of the fiscal year next following enactment. Sections 8  
3 through 17 of this **¶**12. *This* act shall take effect im-



4 mediately, except that (a) with respect to the change in the rates of  
 5 contribution, purchase arrangements, and compulsory contribu-  
 6 tions, the effective date shall be the first day of the calendar  
 7 quarter 3 months following the date of enactment (or as shortly  
 8 thereafter as possible); and (b) with respect to the change in the  
 9 annuity values, and accordingly the benefits payable pursuant to  
 10 optional selections, the effective date shall be the first day of the  
 11 calendar quarter 6 months following the date of enactment (or as  
 12 shortly thereafter as possible).\*\*\*

1 \*\*\*11. Sections 1 through \*\*\*\*[9]\*\*\*\* \*\*\*\*7\*\*\*\* and section  
 2 \*\*\*\*[12]\*\*\*\* \*\*\*\*10\*\*\*\* of this act shall take effect July 1, 1979.  
 3 Sections \*\*\*\*[10]\*\*\*\* \*\*\*\*8\*\*\*\* and \*\*\*\*[11]\*\*\*\* \*\*\*\*9\*\*\*\*  
 4 shall take effect January 1, 1980.\*\*\*

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5 (b) shall not have retroactive effect and as such shall not increase,  
6 decrease or in any way change the benefits paid or payable prior  
7 to the effective date.

1 17. Sections 1 through 7 of this act shall take effect with the  
2 beginning of the fiscal year next following enactment. Sections 8  
3 through 17 of this act shall take effect immediately, except that  
4 (a) with respect to the change in the rates of contribution, purchase  
5 arrangements, and compulsory contributions, the effective date  
6 shall be the first day of the calendar quarter 3 months following  
7 the date of enactment (or as shortly thereafter as possible); and  
8 (b) with respect to the change in the annuity values, and accord-  
9 ingly the benefits payable pursuant to optional selections, the  
10 effective date shall be the first day of the calendar quarter 6 months  
11 following the date of enactment (or as shortly thereafter as  
12 possible).

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#### STATEMENT

The Office of Fiscal Affairs and other State agencies have recommended the funding of the Pension Adjustment Act. At the present time the liability of the program is met by annual appropriations; in the absence of such appropriations, no pension adjustments would be made.

Funding is proper in the present inflationary cycle because benefits may be increased an average minimum of 40% over the life of the pensioner as a result of the rise in the Consumer Price Index and the resulting pension adjustment. Only an extraordinary economic condition would dictate a suspension of pension adjustments.

In fiscal 1979 the State will pay \$43.8 million for State employee pensioners and retired members of the Teachers' Fund, while local employers will pay \$19.5 million. If these liabilities are to be funded, they should be met in a specific arrangement designed to preserve the funding of present benefits. This legislation will accomplish that purpose.

This legislation is also designed to resolve the problem of discrimination on account of sex in the case of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System. The provisions of the respective retirement systems have been altered to meet the precedent established by the Supreme Court decision in the case of *City of Los Angeles v. Manhart*. The legislation would (a) increase male rates of contribution to those payable by female members which are decreased, (b) further decrease

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all rates by 2% on the basis of all compensation subject to the retirement system, and (c) lower female actuarial values to those of male equivalents. The effective date is postponed for a minimum of 3 months in the change of rates of contribution because the Division of Pensions will have to certify new rates to participating employers on behalf of 110,000 teachers and 195,000 members of the Public Employees' Retirement System. The effective date is postponed for a minimum of 6 months in the case of annuity values and optional selections because members who have requested retirement quotations have already received information upon which they are prepared to act and the change in the optional selections would alter the amount of the benefits they have anticipated. The reference to "shortly thereafter as possible" refers to effective dates involving biweekly State payrolls where the first of the payroll period may not fall on the first of the month.

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

STATEMENT TO

**SENATE, No. 3027**

[SECOND OFFICIAL COPY REPRINT]

with Assembly committee amendments

**STATE OF NEW JERSEY**

DATED: MARCH 30, 1979

The purpose of this bill is to provide for the equalization of contribution rates of male and female members of the Public Employees Retirement System and the Teachers' Pension and Annuity Fund so that these two systems will be in conformity with the decision of the United States Supreme Court in 1978 in *City of Los Angeles v. Manhart*. That decision held that different contribution rates based upon sex for members of the same retirement system violated section 703 (a) (1) of Title VII of the Civil Rights Act of 1964.

The provisions of this bill to effectuate equalization, as amended by the Assembly State Government Committee, are the following:

1. A unisex contribution rate is to be determined for the members of PERS, and a unisex contribution rate is to be determined for the members of TPAF. These rates will be based on the composition of the membership of each system. The result will be that members of PERS and TPAF may not in every instance pay the same rate.

The unisex contribution rate for each system will begin on July 1, 1979. However, because of a U. S. District Court ruling in February 1979, the rate as it applies to women will be retroactive to February 1, 1979.

The calculation of a unisex rate for each retirement system will result in a higher rate for men and a lower rate for women than at present. However, by calculating the rate on the basis of each system, no member of PERS or of TPAF will pay more than is necessary to meet the mandate of the *Manhart* decision. Moreover, it is the understanding and the intent of the committee that the rates will be readjusted in such a way as to generate the same aggregate amount of revenue—and only that amount—as would have been generated on the basis of the existing rates for each of the retirement systems.

With the elimination of sex as a determinant in the setting of pension contribution rates, only age at the time of enrollment in the respective retirement systems remains as a determinant of rates of contribution.

2. Beginning on January 1, 1980, sex will no longer be used in determining annuity values for the members of both PERS and TPAF. This is significant in relation to the optional benefits a retirant may select at the time of retirement. These benefits include the continuation of a retirement allowance to a retirant's beneficiary upon the retirant's death. If such a benefit is selected, however, the retirant receives a reduced retirement allowance during his retirement. At present, male retirants who select an optional benefit receive a smaller proportion of their retirement allowance than female retirants who select the same option. Under this bill, there will be no such differentiation between male and female retirants; each retirant will receive the same proportion of his or her retirement allowance.

This provision was adopted as an amendment by the committee. The original bill had provided that annuity values for all members would be those applicable to male members of the respective retirement systems; this would have resulted in a greater reduction of the retirement allowance of women selecting an optional benefit than at present—or under this bill as amended.

Other provisions of this bill are:

1. The responsibility for classifying members in PERS is shifted from the board of trustees to the "retirement system." This parallels the language of the TPAF statute.

2. The present requirement that the board of trustees of each of the retirement systems must certify the rates of contribution for members is removed; the bill as amended assigns to the actuary total responsibility for determining the contribution rates of the members of each system.

3. The present statutory language requiring each member to contribute an amount sufficient to provide an annuity equal to one-half of his retirement allowance when he retires is deleted. This deletion conforms the statute with what has been the practice for many years, namely, that a person's contribution to the retirement system does not produce an annuity equal to half of his retirement allowance.

4. The change in contribution rates will not affect any previous purchase arrangements (for example, for the purchase of credit for previous service) or any benefits paid or payable prior to the effective date of this act.

The committee deleted two sections of the bill which amended existing law regarding the 2% reduction in each member's rate of contribution to PERS or TPAF on the amount of his compensation subject to the Social Security tax. (In 1979, this amount is \$22,900.00; in 1980, it will be \$25,900.00 and in 1981, \$29,700.00.) Under the bill as introduced,

this 2% reduction would have applied to the *total* amount of the compensation upon which a member must make contributions to PERS or TPAF. Since the amendment proposed in the bill has no relationship to the major purpose of the bill (namely, equalization of pension rates), and since the committee did not feel it necessary or justifiable at this time to change present law regarding the reduction, this provision was removed from the bill.

To eliminate any confusion over the effective dates of the various provisions of this act, and to ensure the earliest possible compliance with the court-ordered readjustment of rates, the committee amended the relevant section of the bill to specify that all sections except the two dealing with annuity values will take effect on July 1, 1979. The two sections on annuity values will not take effect until January 1, 1980 because members of the systems who have requested retirement quotations have already received information upon which they are prepared to act and the change in the optional selections would alter the amount of the benefits they have anticipated.

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

STATEMENT TO  
**SENATE, No. 3027**  
with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: JANUARY 22, 1979

This legislation is designed to resolve the problem of discrimination on account of sex in the case of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System. The provisions of the respective retirement systems have been altered to meet the precedent established by the Supreme Court decision in the case of *City of Los Angeles v. Manhart*. The legislation would (a) increase male rates of contribution to those payable by female members which are decreased, (b) further decrease all rates by 2% on the basis of all compensation subject to the retirement system, and (c) lower female actuarial values to those of male equivalents. The effective date is postponed for a minimum of 3 months in the change of rates of contribution because the Division of Pensions will have to certify new rates to participating employers on behalf of 110,000 teachers and 195,000 members of the Public Employees' Retirement System. The effective date is postponed for a minimum of 6 months in the case of annuity values and optional selections because members who have requested retirement quotations have already received information upon which they are prepared to act and the change in the optional selections would alter the amount of the benefits they have anticipated. The reference to "shortly thereafter as possible" refers to effective dates involving biweekly State payrolls where the first of the payroll period may not fall on the first of the month.

As originally drafted, the bill also contained provisions to advance-fund the Pension Adjustment Act to offset the inflationary cycle. Because the committee believed that such a dual objective risked a violation of the provision in the Constitution (Article IV, Section VII, Paragraph 4) that specifies that "every law shall embrace but one object," is voted to amend the bill to omit the sections relating to the Pension Adjustment Act.