

18A:66-174

LEGISLATIVE HISTORY CHECKLIST

NJSA 18A:66-174

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Laws of 1975 Chapter 364

Bill No. A1351

Sponsor(s) Burstein

Date Introduced March 25, 1974

Committee: Assembly Education

Senate Education

Amended during passage Yes Amendments during passage denoted by asterisks

Date of passage: Assembly Nov. 18, 1974

Senate Nov. 24, 1975

Date of approval March 3, 1976

Following statements are attached if available:

Sponsor statement Yes

Committee Statement: Assembly No

Senate Yes

Fiscal Note No

Veto message No

Message on signing No

Following were printed:

Reports No

Hearings No

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364 LAWS OF N. J. 1975

APPROVED 3-3-76

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ASSEMBLY, No. 1351

STATE OF NEW JERSEY

INTRODUCED MARCH 25, 1974

By Assemblyman BURSTEIN

Referred to Committee on Education

AN ACT to amend "An act providing for the uniform administration of the alternate programs of benefits for certain members of the faculty and other eligible employees of the New Jersey College of Medicine and Dentistry, Rutgers, The State University of New Jersey, the Newark College of Engineering, the Department of Higher Education, and the State and county colleges, and supplementing chapter 66 of Title 18A and repealing sections 18A:64C-11.1 to 18A:64C-11.9 (inclusive) and 18A:65-74 to 18A:65-85 (inclusive) of the New Jersey Statutes, and chapters 278 and 281 of the laws of 1967 and chapter 181 of the laws of 1968," approved December 22, 1969 (P. L. 1969, c. 242).

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

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

3 8(a). The College of Medicine and Dentistry, Rutgers, The State
4 University and the Newark College of Engineering shall ***deduct*
5 *from or** *with the consent of the participant* **,** [deduct from]*
6 *reduce* the compensation of each participant in the alternate benefit
7 program and pay over to the insurer or insurers for the benefit of
8 the participant an employee contribution for the retirement annuity
9 contract or contracts equal to 5% of the participant's base salary.
10 The intervals for [deductions] ***deductions or** reductions* and
11 payments shall be determined by the respective school governing
12 bodies.

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

13 The Division of Pensions shall ***deduct from or*** ***with the*
 14 *consent of the participant* **,*** provide for [deductions] *reduc-*
 15 *tions* from the compensation of each participant in the alternate
 16 benefit program employed by the Department of Higher Education,
 17 the State and county colleges of an employee contribution equal
 18 to 5% of the participant's base salary and pay this amount to the
 19 insurer or insurers for the individual's retirement annuity contract
 19A or contracts. The intervals for [deductions] ***deductions or***
 19B *reductions* and payments shall be determined by the Division of
 19C Pensions.

20 (b). Based on a certification to the Division of Pensions by the
 21 College of Medicine and Dentistry, Rutgers, The State University
 22 and the Newark College of Engineering of the number and base
 23 salary of participants, the division shall authorize the State to
 24 make payment of the employer contributions to the alternate benefit
 25 programs at a rate equal to the normal contribution made by the
 26 State on behalf of nonveteran members of the Public Employees'
 27 Retirement System, which moneys shall be paid to the designated
 28 insurer or insurers for the benefit of each participant.

29 Based on a certification by the Division of Pensions of the
 30 number and base salary of participants employed by the Depart-
 31 ment of Higher Education, the State and county colleges, the State
 32 shall make payment of the employer contributions to the alternate
 33 benefit program at a rate equal to the normal contribution made
 34 by the State on behalf of nonveteran members of the Public Em-
 35 ployees' Retirement System, which moneys shall be paid to the
 36 designated insurer or insurers for the benefit of each participant.

37 (c). For the member of the Public Employees' Retirement System
 38 employed by the county colleges who is defined in the regulations
 39 of the Board of Higher Education as a full-time faculty member
 40 and who is permitted to transfer his membership or continue
 41 membership in that State program, as the case may be, the State
 42 shall pay the employer contribution to the retirement system on
 43 his behalf and such employer contribution shall be at a rate equal
 44 to the normal contribution made by the State on behalf of non-
 45 veteran members of the Public Employees' Retirement System.

1 2. This act shall take effect immediately.

LAW OFFICE
OF THE LEGISLATIVE
COUNCIL

ASSEMBLY, No. 1351

STATE OF NEW JERSEY

INTRODUCED MARCH 25, 1974

By Assemblyman BURSTEIN

Referred to Committee on Education

AN ACT to amend "An act providing for the uniform administration of the alternate programs of benefits for certain members of the faculty and other eligible employees of the New Jersey College of Medicine and Dentistry, Rutgers, The State University of New Jersey, the Newark College of Engineering, the Department of Higher Education, and the State and county colleges, and supplementing chapter 66 of Title 18A and repealing sections 18A:64C-11.1 to 18A:64C-11.9 (inclusive) and 18A:65-74 to 18A:65-85 (inclusive) of the New Jersey Statutes, and chapters 278 and 281 of the laws of 1967 and chapter 181 of the laws of 1968," approved December 22, 1969 (P. L. 1969, c. 242).

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

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

3 8(a). The College of Medicine and Dentistry, Rutgers, The State
4 University and the Newark College of Engineering shall [deduct
5 from] *reduce* the compensation of each participant in the alternate
6 benefit program and pay over to the insurer or insurers for the
7 benefit of the participant an employee contribution for the retire-
8 ment annuity contract or contracts equal to 5% of the participant's
9 base salary. The intervals for [deductions] *reductions* and pay-
10 ments shall be determined by the respective school governing
11 bodies.

12 The Division of Pensions shall provide for [deductions] *reduc-*
13 *tions* from the compensation of each participant in the alternate
14 benefit program employed by the Department of Higher Education,
15 the State and county colleges of an employee contribution equal
16 to 5% of the participant's base salary and pay this amount to the
17 insurer or insurers for the individual's retirement annuity contract

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 or contracts. The intervals for [deductions] *reductions* and pay-
19 ments shall be determined by the Division of Pensions.

20 (b). Based on a certification to the Division of Pensions by the
21 College of Medicine and Dentistry, Rutgers, The State University
22 and the Newark College of Engineering of the number and base
23 salary of participants, the division shall authorize the State to
24 make payment of the employer contributions to the alternate benefit
25 programs at a rate equal to the normal contribution made by the
26 State on behalf of nonveteran members of the Public Employees'
27 Retirement System, which moneys shall be paid to the designated
28 insurer or insurers for the benefit of each participant.

29 Based on a certification by the Division of Pensions of the
30 number and base salary of participants employed by the Depart-
31 ment of Higher Education, the State and county colleges, the State
32 shall make payment of the employer contributions to the alternate
33 benefit program at a rate equal to the normal contribution made
34 by the State on behalf of nonveteran members of the Public Em-
35 ployees' Retirement System, which moneys shall be paid to the
36 designated insurer or insurers for the benefit of each participant.

37 (c). For the member of the Public Employees' Retirement System
38 employed by the county colleges who is defined in the regulations
39 of the Board of Higher Education as a full-time faculty member
40 and who is permitted to transfer his membership or continue
41 membership in that State program, as the case may be, the State
42 shall pay the employer contribution to the retirement system on
43 his behalf and such employer contribution shall be at a rate equal
44 to the normal contribution made by the State on behalf of non-
45 veteran members of the Public Employees' Retirement System.

1 2. This act shall take effect immediately.

STATEMENT

Chapter 242 of the Public Laws of 1969 (N. J. S. 18A:66-167 et seq.) provides an alternate retirement and insurance program for faculty and staff of New Jersey's public institutions of higher education. Section 24 of that legislation (N. J. S. 18A:66-190) authorized these institutions to enter into agreements with participating employees to reduce their taxable compensation to the extent of employee contributions under the alternate benefit legislation, as is allowed by section 403 (b) of the Federal Internal Revenue Code. Since section 8 of the same state law used the term "deduction" rather than "reduction" in dealing with such contributions, Rutgers University and the State supported colleges

A1351 (1974)

3

have been advised that this provision should be changed to explicitly provide for such a reduction.

This amendment accomplished this purpose and thereby affords the affected State employees a considerable Federal income tax benefit without any increase in State appropriations. It would allow these employees the same income tax treatment afforded to faculty and other higher education personnel throughout the country.

SENATE EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1351

[OFFICIAL COPY REPRINT]

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 18, 1975

INTRODUCTION

Currently, N. J. S. 18A:66-174 (section 1 of the bill) requires the New Jersey College of Medicine and Dentistry, Rutgers University, the New Jersey Institute of Technology and the Division of Pensions (for State and County Colleges) to *deduct* from the salary of those employees participating in the alternate benefits program the employee's contribution to that retirement system; this amounts to 5% of the employee's base salary.

The amendments proposed by this bill, as amended by the committee, would permit the above institutions, at the request of the employee, to tax shelter his contributions to the alternate benefits program.

The Senate Education Committee endorses the bill.

BACKGROUND

History

When the State assumed the operation of the Seton Hall Medical School, there was an understanding that the then practice of tax sheltering of employee contributions would continue after the assumption of State control. The practice did continue; however, unknown by the parties involved, there was (and still is) no State statutory provision permitting such "reductions." In 1971 it became apparent to the Division of Pensions that statutory authority did not exist and the "reductions" were discontinued and "deductions" were instituted. This bill would restore those benefits to medical school personnel and also give them, for the first time, to other employees in the alternate benefits program.

Explanation of Tax Sheltering Income

The purpose of a tax shelter is to defer paying some income tax during peak earning years, while a person's income is in a higher tax bracket,

until later in life when the person will be in a lower bracket. This is accomplished by having the employer *reduce* the employee's compensation by an agreed-upon amount; in this case 5% of the base salary. This process reduces the amount of income subject to taxation.

The "sheltered" money and the interest it earns, which is also free of tax, are accumulated for the benefit of the employee. When the funds are withdrawn after retirement in the form of an annuity, or before retirement as a lump sum, the funds are immediately subject to taxation as ordinary income.

POSITIONS OF INTERESTED PARTIES

Medical School

The medical school community supports the bill because it will help to attract and retain faculty, and because it restores a previously agreed-upon and implemented program.

Division of Pensions

The Division of Pensions does not support the bill because it would not give the same benefit to similar employees who are not in the alternate benefits program and are in other State pension funds. In addition, the division feels that this benefit disparity could lead to pressure for a noncontributory pension system.

Rutgers University

The university supports the bill as long as the reduction is voluntary. (The official copy reprint provides for voluntary participation.)

Committee Position

It is the committee's position that the State has an obligation to implement its original commitment to the medical school personnel. In addition, a tax benefit disparity currently exists under Federal law whereby educational employees can tax shelter a portion of their salary while noneducational employees may not. This disparity has not led to pressure for a noncontributing pension system.

COMMITTEE AMENDMENTS

According to the Division of Pensions, this section currently gives the schools and the division the authority to make deductions from employees' salaries for pension contributions. The official copy reprint inadvertently precludes such deductions from the salaries of those not participating in the tax shelter with the result that no employee contributions to the pension fund can be made. The committee amendments will solve this problem.

FISCAL IMPACT

There would be no additional cost to the State.

SUPPLEMENTARY INFORMATION ON THE ALTERNATE BENEFITS PROGRAM

In the years 1965-1968 legislation was successively enacted to permit the establishment of Alternate Benefits Programs for full-time faculty members of public institutions of higher education, including the New Jersey College of Medicine and Dentistry, Rutgers, The State University, Newark College of Engineering and the State and County Colleges. These programs replaced the fixed benefit schedules of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System for *new* employees and permitted present faculty members to transfer their interests in the State systems to such alternate plans. New employees who are members of the Teachers' Pension and Annuity Fund are permitted to transfer to the Public Employees' Retirement System or the Alternate Benefits Programs; members of the Public Employees' Retirement System may remain in that system or transfer to the alternate plan.

The pension portion of the alternate plan is underwritten for fixed annuities by the Teachers' Insurance and Annuity Association, while variable annuities are provided under the College Retirement Equities Fund. These are money purchase plans as distinguished from guaranteed fixed benefits payable by the State's retirement systems. On the other hand, immediate vesting after the first year's participation offers the mobility of pension credit among the more than 1,200 private and public institutions of higher education in the United States and Canada. Group life and disability insurances are likewise provided to participants in these plans.