

LEGISLATIVE HISTORY CHECKLIST

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LAWS of 1999

CHAPTER: 59

NJSA:43:8C-1 to 43:8C-9

(Towns sharing services -- incentives for retirement or termination)

BILL NO:A12 (Substituted for S1694 -- 1st Reprint)

SPONSOR(S):Arnone and Luongo

DATE INTRODUCED: December 3, 1998

COMMITTEE:

*ASSEMBLY:*Local Government & Housing; Appropriations

*SENATE:*Budget & Appropriations

AMENDED DURING PASSAGE:Yes

DATE OF PASSAGE:

*ASSEMBLY:*February 18, 1999

*SENATE:*March 22, 1999

DATE OF APPROVAL:April 13, 1999

THE FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL: *Yes*1st Reprint

(Amendments during passage denoted by superscript numbers)

A12

SPONSORS STATEMENT: *Yes*(Begins on page 8 of original bill)

COMMITTEE STATEMENT:

ASSEMBLY:Yes

December 3, 1998

January 21, 1999

SENATE:*Yes*

FLOOR AMENDMENT STATEMENTS: *No*

LEGISLATIVE FISCAL ESTIMATE: *Yes*

S1694

SPONSORS STATEMENT: *Yes*(Begins on page 8 of original bill)

Bill and Sponsor's Statement identical to A12

COMMITTEE STATEMENT:

ASSEMBLY: *No*

SENATE: *Yes*

February 18, 1999

March 18, 1999

Identical to Senate Statement for A12

FLOOR AMENDMENT STATEMENTS:*No*

LEGISLATIVE FISCAL ESTIMATE: *Yes*

1st REPRINT (Last Version)*Yes*

GOVERNOR'S ACTIONS

VETO MESSAGE: *No*

GOVERNOR'S PRESS RELEASE ON SIGNING: *Yes*

THE FOLLOWING WERE PRINTED:

*To check for circulating copies contact New Jersey State Government Publications at the State Library
(609) 278-2640 ext. 102 or refdesk@njstatelib.org*

REPORTS:

974.90 T235, 1998e

New Jersey. Property Tax Commission.

Report of the recommendations to Governor Christine Todd Whitman

September, 1998.

HEARINGS: *No*

NEWSPAPER ARTICLES:

"Whitman signs bill cutting property taxes," New York Times, 4-14-99, p.B4.

"Whitman oks rewards for towns sharing services," Bergen Record, 4-14-99, p. 1.

P.L. 1999, CHAPTER 59, *approved April 13, 1999*
Assembly, No. 12 (*First Reprint*)

1 AN ACT authorizing local units of government ¹and certain school
2 districts¹ to offer incentive programs for the retirement or
3 termination of certain employees when entering into interlocal
4 services contracts or joint services contracts, and supplementing
5 Title 40 of the Revised Statutes.

6

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

9

10 1. As used in this act, unless the context indicates otherwise:

11 "Chief executive officer" means the mayor of a municipality, the
12 elected county executive of a county, the director of the board of
13 chosen freeholders in a county that does not have an elected county
14 executive, and the chairman or other presiding officer of any other
15 governing body.

16 "Consolidated municipality" or "municipal consolidation" means the
17 resultant municipal entity created after approval and adoption of a
18 public question in favor of consolidation pursuant to the "Municipal
19 Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et seq.).

20 "Director" means the Director of the Division of Local Government
21 Services in the Department of Community Affairs.

22 "Governing body" means the board, commission, council or other
23 body having the control of the finances of a local unit; and in those
24 local units in which a chief executive officer is authorized by law to
25 participate in such control through powers of recommendation,
26 approval or veto, the term includes such executive officer to the extent
27 of such participation.

28 "Interlocal services contract" means a contract between two or
29 more local units for the joint provision of governmental services
30 pursuant to the "Interlocal Services Act," P.L.1973, c.208 (C.40:8A-1
31 et seq.).

32 "Joint services contract" means a contract between two or more
33 local units to form a joint meeting for the joint provision of
34 governmental services pursuant to the "Consolidated Municipal
35 Service Act," P.L.1952, c.72 (C.40:48B-1 et seq.).

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted January 21, 1999.

1 "Local unit" means a municipality, consolidated municipality,
2 county, authority as defined in section 3 of P.L.1983, c.313
3 (C.40A:5A-3), joint meeting or fire district.

4
5 2. A local unit entering into an interlocal services contract or a
6 joint services contract or becoming a part of a consolidated
7 municipality may offer and implement an incentive program for
8 retirement or termination of employment after approval of such
9 incentive program by the director. The program shall be limited to
10 full-time employees in any department, office, section, or other
11 organizational component of the local unit in which the number of
12 employees will be reduced or which will be eliminated as a result of
13 the interlocal services contract or joint services contract or municipal
14 consolidation. The incentive program may include one or more of the
15 following:

16 a. cash payments or the purchase of annuities;

17 b. employer contributions to an approved employee deferred
18 compensation program to the extent permitted by federal law;

19 c. payment by the local unit for continuation of health benefits
20 coverage after retirement for not more than five years or until the
21 employee attains the age of eligibility for Medicare, whichever occurs
22 first;

23 d. payment by the local unit for health benefits coverage after
24 retirement under the "New Jersey State Health Benefits Program Act,"
25 P.L.1961, c.49 (C.52:14-17.25 et seq.), or under group insurance
26 contracts pursuant to N.J.S.40A:10-23, for employees and dependents
27 in accordance with the law and rules governing the State Health
28 Benefits Program or the law governing such group insurance
29 contracts, as the case may be, for employees who fail to meet the
30 service requirement for payment for such coverage after retirement by
31 no more than five years, but who are otherwise eligible for employer
32 payment for health benefits coverage after retirement; or

33 e. additional service credit for employees who are members of the
34 Public Employees' Retirement System of New Jersey, pursuant to
35 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
36 Retirement System of New Jersey, pursuant to P.L.1944, c.255
37 (C.43:16A-1 et seq.), or a county pension fund created under
38 P.L.1943, c.160 (C.43:10-18.1 et seq.), or a municipal retirement
39 system created under P.L.1954, c.218 (C.43:13-22.3 et seq.) or
40 P.L.1964, c.275 (C.43:13-22.50 et seq.), as provided in section 4 of
41 P.L. , c. (C.) (now pending before the Legislature as this bill).

42
43 3. a. No later than six months prior to the date on which a
44 proposed incentive program is to begin, the local unit shall submit
45 detailed information concerning the incentive program to the director,
46 in a form and manner prescribed by the director, which shall include

1 the following:

2 (1) the governmental services affected by the interlocal services
3 contract or joint services contract or municipal consolidation;

4 (2) the departments, offices, sections, and other organizational
5 components of the local unit to be affected, and a list of the employees
6 thereof;

7 (3) the incentives to be offered;

8 (4) the estimated number of employees who will retire or terminate
9 employment under the incentive program;

10 (5) fiscal information sufficient to demonstrate that the incentive
11 program in conjunction with the interlocal services contract or joint
12 services contract or municipal consolidation will result in a reduction
13 for the local unit in the number of employees providing the affected
14 governmental services, including information on the number of
15 employees by which the local unit will reduce employment for a period
16 of at least five years;

17 (6) fiscal information sufficient to demonstrate that, taking into
18 consideration the costs of the incentive program, the interlocal
19 services contract or joint services contract or municipal consolidation
20 will result in a reduction in the cost of providing the affected
21 governmental services for the local unit;

22 (7) information on the fiscal stability of the local unit sufficient to
23 demonstrate that the local unit will be able to pay the costs for the
24 incentive program and for the interlocal services contract or joint
25 services contract or municipal consolidation which will result in net
26 savings and shall not necessitate any increase in property taxes for the
27 local unit;

28 (8) information sufficient to demonstrate that the local unit will
29 continue to provide the affected governmental services without the
30 number of employees that are expected to take the incentive;

31 (9) copies of proposed interlocal services contracts or joint
32 services contracts; and

33 (10) any other information which the director may require.

34 The director may, for good cause, permit a local unit to submit
35 information without complying with the time period for submission of
36 information or which does not conform to the specific informational
37 requirements of this subsection.

38 b. The director shall provide to the Director of the Division of
39 Pensions and Benefits in the Department of the Treasury sufficient
40 information relating to the incentive program so that the Director of
41 the Division of Pensions and Benefits may provide to the director:

42 (1) an estimate of the anticipated liability of the affected retirement
43 systems;

44 (2) a determination of whether the incentive program is reasonably
45 calculated to produce a reduction in the number of employees of the
46 local unit; and

1 (3) taking into consideration the liability for the incentive program,
2 an estimate of the net savings in the employment costs to provide the
3 affected governmental services.

4 c. In order to make the calculation required by subparagraph (2) of
5 subsection b. of this section, the Director of the Division of Pensions
6 and Benefits in the Department of the Treasury shall submit the
7 proposed incentive program to the actuary of each retirement system
8 which would be affected by the incentive program. Each actuary shall
9 estimate the additional liability to the retirement system for the
10 incentive program, including the liability for the additional service
11 credit and the earlier retirement of employees under the incentive
12 program. Each actuary shall provide the Director of the Division of
13 Pensions and Benefits with an opinion on whether the incentive
14 program is reasonably calculated to produce a reduction in the number
15 of employees of the local unit providing the affected governmental
16 services, and a net savings, taking into consideration the liability for
17 the incentive program, in the employment costs to provide the affected
18 governmental services. The State shall conduct the actuarial work
19 required by this subsection at no charge to the local units.

20 d. If the incentive program includes the provision of additional
21 service credit under State retirement systems for eligible employees,
22 the beginning and ending dates for the incentive program and the time
23 period during which the eligible employees will have to elect to
24 participate in the incentive program shall be subject to approval by the
25 Director of the Division of Pensions and Benefits in the Department of
26 the Treasury.

27 e. If the director determines that the incentive program, in
28 conjunction with the interlocal services contract or joint services
29 contract or municipal consolidation, will result in the local unit
30 continuing to provide the affected governmental services with fewer
31 employees and at a lower cost, and that the incentive program and the
32 interlocal services contract or joint services contract or municipal
33 consolidation will result in net savings and will not necessitate any
34 increase in local property taxes for the local unit, the director shall
35 approve the incentive program for implementation.

36
37 4. a. For employees who are members of the Police and Firemen's
38 Retirement System of New Jersey, pursuant to P.L.1944, c.255
39 (C.43:16A-1 et seq.), an incentive program for retirement may provide
40 additional months of service credit for an employee who has 20 or
41 more years of service credit on the last day for retirement under the
42 incentive program, so that the employee shall have an aggregate
43 amount of service credit under the retirement system of no more than
44 30 years on the effective date of retirement. In no case shall more
45 than 60 months of additional service credit be provided under the
46 incentive program.

1 b. For employees who are members of the Public Employees'
2 Retirement System of New Jersey, pursuant to P.L.1954, c.84
3 (C.43:15A-1 et seq.), or a county or municipal retirement system, an
4 incentive program for retirement may provide not more than 60
5 additional months of service credit for an employee who has 20 or
6 more years of service credit on the last day for retirement under the
7 incentive program.

8 c. An incentive program may require one or more of the following
9 criteria: a minimum number of years of service credit in a retirement
10 system, a minimum number of years of service with the local unit, or
11 a minimum age for eligibility to participate in the program.

12 d. An employee who receives an incentive benefit for retirement or
13 termination of employment under P.L. , c. (C.) (now
14 pending before the Legislature as this bill) shall forfeit any tenure, civil
15 service, or other employment right for continued employment or for
16 return to employment based upon the employment for which the
17 employee receives the incentive benefit.

18 e. When the needs of the local unit require the continuation in
19 service of an employee who elects to retire and receive an incentive
20 benefit under P.L. , c. (C.) (now pending before the
21 Legislature as this bill), the effective retirement date of the employee
22 may be delayed, with the approval of the governing body of the local
23 unit and the agreement of the employee, until the first day of any
24 month not later than the twelfth month after the last date for
25 retirement under the incentive program. If an employee whose
26 retirement is delayed under this subsection dies before the retirement
27 becomes effective, the retirement shall be effective on the first day of
28 the month after the date of death of the employee, unless the
29 employee's beneficiary for retirement benefits requests in writing to the
30 board of trustees of the retirement system that benefits payable for
31 death in active service be paid on behalf of the employee.

32 f. An employee retiring with an incentive benefit under P.L. ,
33 c. (C.) (now pending before the Legislature as this bill) who has
34 not paid the full amount of a loan from the retirement system by the
35 effective date of retirement may repay the loan through deductions
36 from the monthly retirement benefits in the same monthly amount
37 which was deducted from the member's compensation immediately
38 preceding retirement, until the balance of the amount borrowed with
39 interest at the statutory rate is repaid. If the retiree dies before the
40 outstanding balance of the loan and interest is repaid, the remaining
41 balance shall be repaid as provided in the laws governing the
42 retirement system for repayment of loans.

43 g. Notwithstanding the provisions of the laws governing the
44 retirement system, an employee purchasing service credit to qualify for
45 a benefit under P.L. , c. (C.) (now pending before the
46 Legislature as this bill) may, for each affected retirement system,

1 purchase a portion of the service credit which the employee is eligible
2 to purchase.

3 h. If the incentive program is approved and implemented, the
4 actuary to the affected retirement system shall determine the full
5 amount of the liability of the retirement system for the incentive
6 program including the liability for the additional service credit and the
7 earlier retirement of employees under the incentive program in
8 accordance with the assumptions used by the retirement system to
9 determine the full liabilities of the system. The local unit shall pay the
10 amount of the liability determined by the actuary to the retirement
11 system in a lump sum or through annual installment payments with
12 regular interest at the rate used by the retirement system to determine
13 liabilities and to estimate investment return for a period approved by
14 the Director of the Division of Pensions and Benefits in the
15 Department of the Treasury which shall not exceed 15 years. The
16 local unit shall pay the cost for the actuarial work to determine the full
17 liability of the retirement system if the incentive program is approved
18 and implemented. If the local unit does not make payments for the
19 liability, the cost of the actuarial work, and administrative expenses in
20 a timely manner, the local unit shall be subject to interest and penalties
21 on the payments on the same basis provided for late payment of
22 employer contributions to the retirement system under the laws and
23 rules governing the retirement system.

24 i. The Director of the Division of Pensions and Benefits in the
25 Department of the Treasury shall provide a local unit with information
26 on the estimated liability for the proposed incentive program, and
27 actual liability if the program is approved and implemented. If the
28 program provides additional service credit to employees under the
29 Public Employees' Retirement System of New Jersey, pursuant to
30 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
31 Retirement System of New Jersey, pursuant to P.L.1944, c.255
32 (C.43:16A-1 et seq.), the director shall provide the eligible employees
33 of the local unit with information on the benefits they would receive
34 under the incentive program, and other appropriate assistance, to
35 enable employees to decide whether to accept the incentive benefit and
36 retire from the retirement systems if they accept the incentive benefit.

37 j. The powers, duties and responsibilities related to retirement
38 systems under P.L. , c. (C.), (now pending before the
39 Legislature as this bill) for county and municipal retirement systems
40 shall be exercised and performed by the governing bodies of the
41 retirement systems.

42

43 5. Prior to the beginning date of the incentive program, appropriate
44 representatives of the governing body of a local unit which implements
45 an incentive program shall meet and consult with the majority
46 representative of the bargaining unit or units which include the

1 employees of the local unit who would be eligible for the incentive
2 program.

3
4 6. a. For a period of five years after the last date for retirement or
5 termination of employment under an incentive program implemented
6 pursuant to P.L. , c. , (C.) (now pending before the
7 Legislature as this bill), the employment level of the local unit for the
8 provision of governmental services previously performed by employees
9 that participated in the incentive program shall not, without the
10 approval of the director, exceed the employment level specified in the
11 incentive program approved by the director. The director may
12 approve an increase in the employment level to provide the affected
13 governmental services if the director determines that:

14 (1) changes in local conditions such as increased residential or
15 commercial development, increased population, or other changes, have
16 created an increased need or demand for the affected governmental
17 services and

18 (2) an increase in the employment level for the affected
19 governmental services is warranted and will provide for the delivery
20 of governmental services in an effective and cost efficient manner.
21 The local unit shall submit annual reports to the director for five years
22 after the last date for retirement or termination of employment under
23 an incentive program implemented pursuant to P.L. ,c. (C.)
24 (now pending before the Legislature as this bill), in the form and
25 manner required by the director, concerning the number of employees
26 and the employment costs to provide the affected governmental
27 services.

28 b. If a local unit exceeds the employment levels under subsection
29 a. of this section, it shall be required by the director to reimburse the
30 Division of Pensions and Benefits in the Department of the Treasury
31 for the costs of the actuarial work performed for the local unit
32 pursuant to subsection c. of section 3 of P.L. , c. (C.) (now
33 pending before the Legislature as this bill), as determined by the
34 director of that division.

35
36 7. The director may adopt rules to effectuate the purposes of this
37 act in accordance with the provisions of the "Administrative Procedure
38 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

39
40 8. The Director of the Division of Pensions and Benefits in the
41 Department of the Treasury may adopt rules to effectuate the purposes
42 of this act in accordance with the provisions of the "Administrative
43 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

44
45 19. Notwithstanding the provisions of any other law to the
46 contrary, if a school district merges with one or more other school

1 districts due solely to municipal consolidation pursuant to the
2 "Municipal Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et
3 seq.), then the board of education of the merging district may offer
4 and implement an incentive program for retirement or termination of
5 employment of its employees after approval of such incentive program
6 by the director under substantially similar terms and conditions as are
7 provided for in sections 2, 3, 5 and 6 of P.L. , c. (C.) (now
8 pending before the Legislature as this bill), as prescribed by, and
9 subject to the determination of, the Commissioner of the Department
10 of Education.¹

11

12 ¹[9.] 10.¹ This act shall take effect immediately.

13

14

15

16

17 Permits local units and certain school districts to offer retirement or
18 termination incentives to certain employees affected by regionalization
19 of services.

[First Reprint]

ASSEMBLY, No. 12

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED DECEMBER 3, 1998

Sponsored by:

Assemblyman MICHAEL J. ARNONE

District 12 (Monmouth)

Assemblyman GERALD J. LUONGO

District 4 (Camden and Gloucester)

Co-Sponsored by:

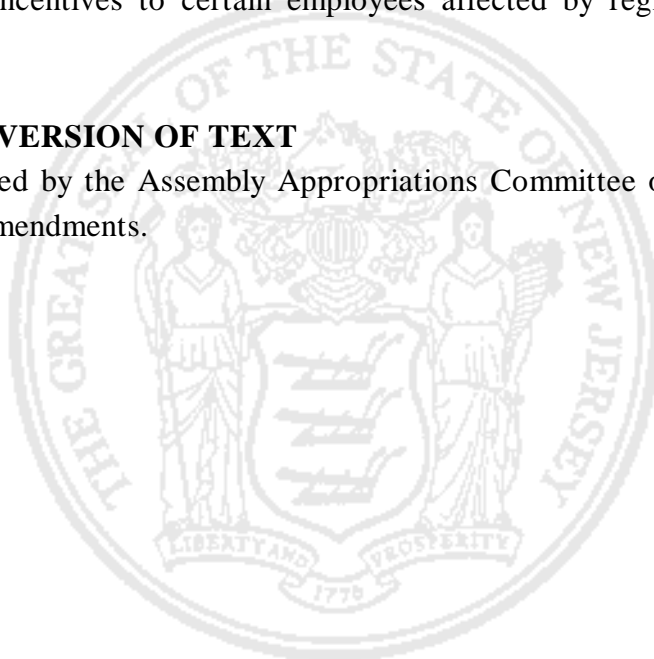
Assemblymen Garcia, Thompson, Doria, Romano, Conaway and Connors

SYNOPSIS

Permits local units and certain school districts to offer retirement or termination incentives to certain employees affected by regionalization of services.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on January 21, 1999, with amendments.



(Sponsorship Updated As Of: 1/22/1999)

1 AN ACT authorizing local units of government ¹and certain school
2 districts¹ to offer incentive programs for the retirement or
3 termination of certain employees when entering into interlocal
4 services contracts or joint services contracts, and supplementing
5 Title 40 of the Revised Statutes.

6

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

9

10 1. As used in this act, unless the context indicates otherwise:

11 "Chief executive officer" means the mayor of a municipality, the
12 elected county executive of a county, the director of the board of
13 chosen freeholders in a county that does not have an elected county
14 executive, and the chairman or other presiding officer of any other
15 governing body.

16 "Consolidated municipality" or "municipal consolidation" means the
17 resultant municipal entity created after approval and adoption of a
18 public question in favor of consolidation pursuant to the "Municipal
19 Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et seq.).

20 "Director" means the Director of the Division of Local Government
21 Services in the Department of Community Affairs.

22 "Governing body" means the board, commission, council or other
23 body having the control of the finances of a local unit; and in those
24 local units in which a chief executive officer is authorized by law to
25 participate in such control through powers of recommendation,
26 approval or veto, the term includes such executive officer to the extent
27 of such participation.

28 "Interlocal services contract" means a contract between two or
29 more local units for the joint provision of governmental services
30 pursuant to the "Interlocal Services Act," P.L.1973, c.208 (C.40:8A-1
31 et seq.).

32 "Joint services contract" means a contract between two or more
33 local units to form a joint meeting for the joint provision of
34 governmental services pursuant to the "Consolidated Municipal
35 Service Act," P.L.1952, c.72 (C.40:48B-1 et seq.).

36 "Local unit" means a municipality, consolidated municipality,
37 county, authority as defined in section 3 of P.L.1983, c.313
38 (C.40A:5A-3), joint meeting or fire district.

39

40 2. A local unit entering into an interlocal services contract or a
41 joint services contract or becoming a part of a consolidated
42 municipality may offer and implement an incentive program for

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted January 21, 1999.

1 retirement or termination of employment after approval of such
2 incentive program by the director. The program shall be limited to
3 full-time employees in any department, office, section, or other
4 organizational component of the local unit in which the number of
5 employees will be reduced or which will be eliminated as a result of
6 the interlocal services contract or joint services contract or municipal
7 consolidation. The incentive program may include one or more of the
8 following:

- 9 a. cash payments or the purchase of annuities;
- 10 b. employer contributions to an approved employee deferred
11 compensation program to the extent permitted by federal law;
- 12 c. payment by the local unit for continuation of health benefits
13 coverage after retirement for not more than five years or until the
14 employee attains the age of eligibility for Medicare, whichever occurs
15 first;
- 16 d. payment by the local unit for health benefits coverage after
17 retirement under the "New Jersey State Health Benefits Program Act,"
18 P.L.1961, c.49 (C.52:14-17.25 et seq.), or under group insurance
19 contracts pursuant to N.J.S.40A:10-23, for employees and dependents
20 in accordance with the law and rules governing the State Health
21 Benefits Program or the law governing such group insurance
22 contracts, as the case may be, for employees who fail to meet the
23 service requirement for payment for such coverage after retirement by
24 no more than five years, but who are otherwise eligible for employer
25 payment for health benefits coverage after retirement; or
- 26 e. additional service credit for employees who are members of the
27 Public Employees' Retirement System of New Jersey, pursuant to
28 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
29 Retirement System of New Jersey, pursuant to P.L.1944, c.255
30 (C.43:16A-1 et seq.), or a county pension fund created under
31 P.L.1943, c.160 (C.43:10-18.1 et seq.), or a municipal retirement
32 system created under P.L.1954, c.218 (C.43:13-22.3 et seq.) or
33 P.L.1964, c.275 (C.43:13-22.50 et seq.), as provided in section 4 of
34 P.L. , c. (C.) (now pending before the Legislature as this bill).

35
36 3. a. No later than six months prior to the date on which a
37 proposed incentive program is to begin, the local unit shall submit
38 detailed information concerning the incentive program to the director,
39 in a form and manner prescribed by the director, which shall include
40 the following:

- 41 (1) the governmental services affected by the interlocal services
42 contract or joint services contract or municipal consolidation;
- 43 (2) the departments, offices, sections, and other organizational
44 components of the local unit to be affected, and a list of the employees
45 thereof;
- 46 (3) the incentives to be offered;

1 (4) the estimated number of employees who will retire or terminate
2 employment under the incentive program;

3 (5) fiscal information sufficient to demonstrate that the incentive
4 program in conjunction with the interlocal services contract or joint
5 services contract or municipal consolidation will result in a reduction
6 for the local unit in the number of employees providing the affected
7 governmental services, including information on the number of
8 employees by which the local unit will reduce employment for a period
9 of at least five years;

10 (6) fiscal information sufficient to demonstrate that, taking into
11 consideration the costs of the incentive program, the interlocal
12 services contract or joint services contract or municipal consolidation
13 will result in a reduction in the cost of providing the affected
14 governmental services for the local unit;

15 (7) information on the fiscal stability of the local unit sufficient to
16 demonstrate that the local unit will be able to pay the costs for the
17 incentive program and for the interlocal services contract or joint
18 services contract or municipal consolidation which will result in net
19 savings and shall not necessitate any increase in property taxes for the
20 local unit;

21 (8) information sufficient to demonstrate that the local unit will
22 continue to provide the affected governmental services without the
23 number of employees that are expected to take the incentive;

24 (9) copies of proposed interlocal services contracts or joint
25 services contracts; and

26 (10) any other information which the director may require.

27 The director may, for good cause, permit a local unit to submit
28 information without complying with the time period for submission of
29 information or which does not conform to the specific informational
30 requirements of this subsection.

31 b. The director shall provide to the Director of the Division of
32 Pensions and Benefits in the Department of the Treasury sufficient
33 information relating to the incentive program so that the Director of
34 the Division of Pensions and Benefits may provide to the director:

35 (1) an estimate of the anticipated liability of the affected retirement
36 systems;

37 (2) a determination of whether the incentive program is reasonably
38 calculated to produce a reduction in the number of employees of the
39 local unit; and

40 (3) taking into consideration the liability for the incentive program,
41 an estimate of the net savings in the employment costs to provide the
42 affected governmental services.

43 c. In order to make the calculation required by subparagraph (2) of
44 subsection b. of this section, the Director of the Division of Pensions
45 and Benefits in the Department of the Treasury shall submit the
46 proposed incentive program to the actuary of each retirement system

1 which would be affected by the incentive program. Each actuary shall
2 estimate the additional liability to the retirement system for the
3 incentive program, including the liability for the additional service
4 credit and the earlier retirement of employees under the incentive
5 program. Each actuary shall provide the Director of the Division of
6 Pensions and Benefits with an opinion on whether the incentive
7 program is reasonably calculated to produce a reduction in the number
8 of employees of the local unit providing the affected governmental
9 services, and a net savings, taking into consideration the liability for
10 the incentive program, in the employment costs to provide the affected
11 governmental services. The State shall conduct the actuarial work
12 required by this subsection at no charge to the local units.

13 d. If the incentive program includes the provision of additional
14 service credit under State retirement systems for eligible employees,
15 the beginning and ending dates for the incentive program and the time
16 period during which the eligible employees will have to elect to
17 participate in the incentive program shall be subject to approval by the
18 Director of the Division of Pensions and Benefits in the Department of
19 the Treasury.

20 e. If the director determines that the incentive program, in
21 conjunction with the interlocal services contract or joint services
22 contract or municipal consolidation, will result in the local unit
23 continuing to provide the affected governmental services with fewer
24 employees and at a lower cost, and that the incentive program and the
25 interlocal services contract or joint services contract or municipal
26 consolidation will result in net savings and will not necessitate any
27 increase in local property taxes for the local unit, the director shall
28 approve the incentive program for implementation.

29
30 4. a. For employees who are members of the Police and Firemen's
31 Retirement System of New Jersey, pursuant to P.L.1944, c.255
32 (C.43:16A-1 et seq.), an incentive program for retirement may provide
33 additional months of service credit for an employee who has 20 or
34 more years of service credit on the last day for retirement under the
35 incentive program, so that the employee shall have an aggregate
36 amount of service credit under the retirement system of no more than
37 30 years on the effective date of retirement. In no case shall more
38 than 60 months of additional service credit be provided under the
39 incentive program.

40 b. For employees who are members of the Public Employees'
41 Retirement System of New Jersey, pursuant to P.L.1954, c.84
42 (C.43:15A-1 et seq.), or a county or municipal retirement system, an
43 incentive program for retirement may provide not more than 60
44 additional months of service credit for an employee who has 20 or
45 more years of service credit on the last day for retirement under the
46 incentive program.

1 c. An incentive program may require one or more of the following
2 criteria: a minimum number of years of service credit in a retirement
3 system, a minimum number of years of service with the local unit, or
4 a minimum age for eligibility to participate in the program.

5 d. An employee who receives an incentive benefit for retirement or
6 termination of employment under P.L. , c. (C.) (now
7 pending before the Legislature as this bill) shall forfeit any tenure, civil
8 service, or other employment right for continued employment or for
9 return to employment based upon the employment for which the
10 employee receives the incentive benefit.

11 e. When the needs of the local unit require the continuation in
12 service of an employee who elects to retire and receive an incentive
13 benefit under P.L. , c. (C.) (now pending before the
14 Legislature as this bill), the effective retirement date of the employee
15 may be delayed, with the approval of the governing body of the local
16 unit and the agreement of the employee, until the first day of any
17 month not later than the twelfth month after the last date for
18 retirement under the incentive program. If an employee whose
19 retirement is delayed under this subsection dies before the retirement
20 becomes effective, the retirement shall be effective on the first day of
21 the month after the date of death of the employee, unless the
22 employee's beneficiary for retirement benefits requests in writing to the
23 board of trustees of the retirement system that benefits payable for
24 death in active service be paid on behalf of the employee.

25 f. An employee retiring with an incentive benefit under P.L. ,
26 c. (C.) (now pending before the Legislature as this bill) who has
27 not paid the full amount of a loan from the retirement system by the
28 effective date of retirement may repay the loan through deductions
29 from the monthly retirement benefits in the same monthly amount
30 which was deducted from the member's compensation immediately
31 preceding retirement, until the balance of the amount borrowed with
32 interest at the statutory rate is repaid. If the retiree dies before the
33 outstanding balance of the loan and interest is repaid, the remaining
34 balance shall be repaid as provided in the laws governing the
35 retirement system for repayment of loans.

36 g. Notwithstanding the provisions of the laws governing the
37 retirement system, an employee purchasing service credit to qualify for
38 a benefit under P.L. , c. (C.) (now pending before the
39 Legislature as this bill) may, for each affected retirement system,
40 purchase a portion of the service credit which the employee is eligible
41 to purchase.

42 h. If the incentive program is approved and implemented, the
43 actuary to the affected retirement system shall determine the full
44 amount of the liability of the retirement system for the incentive
45 program including the liability for the additional service credit and the
46 earlier retirement of employees under the incentive program in

1 accordance with the assumptions used by the retirement system to
2 determine the full liabilities of the system. The local unit shall pay the
3 amount of the liability determined by the actuary to the retirement
4 system in a lump sum or through annual installment payments with
5 regular interest at the rate used by the retirement system to determine
6 liabilities and to estimate investment return for a period approved by
7 the Director of the Division of Pensions and Benefits in the
8 Department of the Treasury which shall not exceed 15 years. The
9 local unit shall pay the cost for the actuarial work to determine the full
10 liability of the retirement system if the incentive program is approved
11 and implemented. If the local unit does not make payments for the
12 liability, the cost of the actuarial work, and administrative expenses in
13 a timely manner, the local unit shall be subject to interest and penalties
14 on the payments on the same basis provided for late payment of
15 employer contributions to the retirement system under the laws and
16 rules governing the retirement system.

17 i. The Director of the Division of Pensions and Benefits in the
18 Department of the Treasury shall provide a local unit with information
19 on the estimated liability for the proposed incentive program, and
20 actual liability if the program is approved and implemented. If the
21 program provides additional service credit to employees under the
22 Public Employees' Retirement System of New Jersey, pursuant to
23 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
24 Retirement System of New Jersey, pursuant to P.L.1944, c.255
25 (C.43:16A-1 et seq.), the director shall provide the eligible employees
26 of the local unit with information on the benefits they would receive
27 under the incentive program, and other appropriate assistance, to
28 enable employees to decide whether to accept the incentive benefit and
29 retire from the retirement systems if they accept the incentive benefit.

30 j. The powers, duties and responsibilities related to retirement
31 systems under P.L. , c. (C.), (now pending before the
32 Legislature as this bill) for county and municipal retirement systems
33 shall be exercised and performed by the governing bodies of the
34 retirement systems.

35

36 5. Prior to the beginning date of the incentive program, appropriate
37 representatives of the governing body of a local unit which implements
38 an incentive program shall meet and consult with the majority
39 representative of the bargaining unit or units which include the
40 employees of the local unit who would be eligible for the incentive
41 program.

42

43 6. a. For a period of five years after the last date for retirement or
44 termination of employment under an incentive program implemented
45 pursuant to P.L. , c. , (C.) (now pending before the
46 Legislature as this bill), the employment level of the local unit for the

1 provision of governmental services previously performed by employees
2 that participated in the incentive program shall not, without the
3 approval of the director, exceed the employment level specified in the
4 incentive program approved by the director. The director may
5 approve an increase in the employment level to provide the affected
6 governmental services if the director determines that:

7 (1) changes in local conditions such as increased residential or
8 commercial development, increased population, or other changes, have
9 created an increased need or demand for the affected governmental
10 services and

11 (2) an increase in the employment level for the affected
12 governmental services is warranted and will provide for the delivery
13 of governmental services in an effective and cost efficient manner.
14 The local unit shall submit annual reports to the director for five years
15 after the last date for retirement or termination of employment under
16 an incentive program implemented pursuant to P.L. , c. (C.)
17 (now pending before the Legislature as this bill), in the form and
18 manner required by the director, concerning the number of employees
19 and the employment costs to provide the affected governmental
20 services.

21 b. If a local unit exceeds the employment levels under subsection
22 a. of this section, it shall be required by the director to reimburse the
23 Division of Pensions and Benefits in the Department of the Treasury
24 for the costs of the actuarial work performed for the local unit
25 pursuant to subsection c. of section 3 of P.L. , c. (C.) (now
26 pending before the Legislature as this bill), as determined by the
27 director of that division.

28

29 7. The director may adopt rules to effectuate the purposes of this
30 act in accordance with the provisions of the "Administrative Procedure
31 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

32

33 8. The Director of the Division of Pensions and Benefits in the
34 Department of the Treasury may adopt rules to effectuate the purposes
35 of this act in accordance with the provisions of the "Administrative
36 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

37

38 19. Notwithstanding the provisions of any other law to the
39 contrary, if a school district merges with one or more other school
40 districts due solely to municipal consolidation pursuant to the
41 "Municipal Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et
42 seq.), then the board of education of the merging district may offer
43 and implement an incentive program for retirement or termination of
44 employment of its employees after approval of such incentive program
45 by the director under substantially similar terms and conditions as are
46 provided for in sections 2, 3, 5 and 6 of P.L. , c. (C.) (now

1 pending before the Legislature as this bill), as prescribed by, and
2 subject to the determination of, the Commissioner of the Department
3 of Education.¹

4

5 ¹[9.] 10.¹ This act shall take effect immediately.

ASSEMBLY LOCAL GOVERNMENT AND HOUSING
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 12

STATE OF NEW JERSEY

DATED: DECEMBER 3, 1998

The Assembly Local Government and Housing Committee reports favorably Assembly Bill No. 12.

The purpose of this bill is to authorize municipalities, counties and other local units of government which enter into agreements to provide governmental services on a joint or consolidated basis, or municipalities which join together to establish a new consolidated municipality, to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements. The provision of joint or consolidated governmental services or consolidation of municipalities is often the most cost effective and efficient way to provide a broad range of governmental services while offering property tax relief to the residents of New Jersey. This bill would provide local units with the tools necessary to resolve labor and employment issues.

The incentives which may be offered include cash payments or the purchase of annuities, employer contributions to deferred compensation plans, extension of health benefits coverage for limited periods of time, qualification for employer payment for health benefits covered in retirement, and up to five years of additional service credit in State, county or municipal retirement systems.

The incentive program must be approved by the Director of the Division of Local Governmental Services in the Department of Community Affairs. Approval requires a sufficient demonstration that the incentive program would result in a reduction in the number of employees and employment costs necessary to provide the affected governmental services. The Director of the Division of Pensions and Benefits in the Department of the Treasury would provide information on the cost of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. Local units implementing incentive programs would be required to pay the costs for the incentives, and would be prohibited from increasing the number of employees to provide the affected governmental services for five years without the approval of the Director of the Division of Local Governmental Services. If a local unit violates this employment restriction, it would be required to

reimburse the State for the costs of the actuarial work provided by the Division of Pensions and Benefits in the Department of the Treasury, as determined by the director of that division.

This bill is intended to implement recommendation on 2.5 of the September, 1998, Property Tax Commission Report.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 12

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 21, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 12, with committee amendments.

Assembly Bill No. 12, as amended, authorizes municipalities, counties and other local units of government which enter into agreements to provide governmental services on a joint or consolidated basis, municipalities which join together to establish a new consolidated municipality, or certain school districts that have merged with one or more other school districts due solely to a municipal consolidation to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements. This bill provides local units with the tools necessary to resolve labor and employment issues. The incentives that may be offered include cash payments or the purchase of annuities, employer contributions to deferred compensation plans, extension of health benefits coverage for limited periods of time, qualification for employer payment for health benefits covered in retirement, and up to five years of additional service credit in State, county or municipal retirement systems. An incentive program must be approved by the Director of the Division of Local Government Services in the Department of Community Affairs.

FISCAL IMPACT:

The Department of Community Affairs (DCA) has stated that the bill's only cost to the State is the requirement that the Director of Pensions and Benefits provide information on the costs of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. The DCA notes that it is not possible to estimate the prospective cost because it will depend on the number of local units requesting an analysis, and the complexity of such analysis may differ from case to case.

COMMITTEE AMENDMENTS:

The amendments extend the retirement incentive program for retirement or termination of employment to employees of school districts that merge with other school districts due solely to municipal consolidations pursuant to the Municipal Consolidation Act.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 12

STATE OF NEW JERSEY

DATED: MARCH 18, 1999

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 12 (1R).

This bill authorizes municipalities, counties and other local units of government that enter into agreements to provide governmental services on a joint or consolidated basis, municipalities that join together to establish a new consolidated municipality, or school districts that have merged with one or more other school districts due solely to a municipal consolidation, to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements.

The incentives that may be offered include: cash payments or the purchase of annuities; employer contributions to deferred compensation plans; employer-paid continuation after retirement of health benefits coverage for limited periods of time up to five years; employer-paid health benefits coverage after retirement for employees and dependents under the State Health Benefits Program or a local government employer's private carrier plan, notwithstanding that the employee does not meet the service requirement to be eligible for such paid coverage; or up to five years of additional service credit in State, county or municipal retirement systems.

An incentive program under the legislation must be approved by the Director of the Division of Local Government Services in the Department of Community Affairs. Approval requires a sufficient demonstration that the incentive program would result in a reduction in the number of employees and employment costs necessary to provide the affected governmental services. The Director of the Division of Pensions and Benefits in the Department of the Treasury would provide information on the cost of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. Local units implementing incentive programs would be required to pay the costs for the incentives, and would be prohibited from increasing the number of employees to provide the affected governmental services for five years without the approval of the Director of the Division of Local Governmental Services. If a local unit violates this employment restriction, it would

be required to reimburse the State for the costs of the actuarial work provided by the Division of Pensions and Benefits in the Department of the Treasury, as determined by the director of that division.

This bill would implement Recommendation 2.5 of the September 16, 1998 report to the Governor by the Property Tax Commission.

This bill is identical to Senate Bill No. 1694 (1R).

FISCAL IMPACT:

The Department of Community Affairs (DCA) has stated that the bill's only cost to the State is the requirement that the Director of Pensions and Benefits provide information on the costs of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. The DCA notes that it is not possible to estimate the prospective cost because it will depend on the number of local units requesting an analysis, and the complexity of such analysis may differ from case to case.

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 12

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: APRIL 29, 1999

Assembly Bill No. 12 of 1998 authorizes municipalities, counties and other local units of government which enter into agreements to provide governmental services on a joint or consolidated basis, or municipalities which join together to establish a new consolidated municipality, to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements. The incentives which may be offered include cash payments or the purchase of annuities, employer contributions to deferred compensation plans, extension of health benefits coverage for limited periods of time, qualification for employer payment for health benefits covered in retirement, and up to five years of additional service credit in State, county or municipal retirement systems.

The Division of Local Government Services in the Department of Community Affairs (DCA) has stated the only cost to the State is the requirement that the Director of the Division of Pensions and Benefits in the Department of the Treasury would evaluate the incentive program to determine: a) the liability of the affected retirement system; b) whether the program is reasonably calculated to produce the desired employee reductions; and c) an estimate of net savings in employment costs, all at no charge to the local units.

The DCA notes that it is not possible to estimate the prospective cost to that division, because the cost will depend on the number of local units that request such an analysis, and the complexity of such an analysis may differ from case to case. However, the DCA notes that the bill specifically requires that local units implementing incentive programs would be required to pay the costs for the incentives, and would be prohibited from increasing the number of employees to provide the affected governmental services for five years without the approval of the Director of the Division of Local Governmental Services. The DCA also notes that under the bill, if a local unit violates this employment restriction, it would be required to reimburse the State for the costs of the actuarial work provided by the Division of Pensions and Benefits.

The OLS concurs with the DCA's analysis, and notes that the actual cost to individual local governments of providing these

incentives will depend on the number of affected employees in each local unit.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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

SENATE, No. 1694

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JANUARY 28, 1999

Sponsored by:

Senator NICHOLAS J. SACCO

District 32 (Bergen and Hudson)

Senator WALTER J. KAVANAUGH

District 16 (Morris and Somerset)

Co-Sponsored by:

Senators O'Connor, Kenny and Schluter

SYNOPSIS

Permits local units to offer retirement or termination incentives to certain employees affected by regionalization of services.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT authorizing local units of government to offer incentive
2 programs for the retirement or termination of certain employees
3 when entering into interlocal services contracts or joint services
4 contracts, and supplementing Title 40 of the Revised Statutes.

5

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

8

9 1. As used in this act, unless the context indicates otherwise:

10 "Chief executive officer" means the mayor of a municipality, the
11 elected county executive of a county, the director of the board of
12 chosen freeholders in a county that does not have an elected county
13 executive, and the chairman or other presiding officer of any other
14 governing body.

15 "Consolidated municipality" or "municipal consolidation" means the
16 resultant municipal entity created after approval and adoption of a
17 public question in favor of consolidation pursuant to the "Municipal
18 Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et seq.).

19 "Director" means the Director of the Division of Local Government
20 Services in the Department of Community Affairs.

21 "Governing body" means the board, commission, council or other
22 body having the control of the finances of a local unit; and in those
23 local units in which a chief executive officer is authorized by law to
24 participate in such control through powers of recommendation,
25 approval or veto, the term includes such executive officer to the extent
26 of such participation.

27 "Interlocal services contract" means a contract between two or
28 more local units for the joint provision of governmental services
29 pursuant to the "Interlocal Services Act," P.L.1973, c.208 (C.40:8A-1
30 et seq.).

31 "Joint services contract" means a contract between two or more
32 local units to form a joint meeting for the joint provision of
33 governmental services pursuant to the "Consolidated Municipal
34 Service Act," P.L.1952, c.72 (C.40:48B-1 et seq.).

35 "Local unit" means a municipality, consolidated municipality,
36 county, authority as defined in section 3 of P.L.1983, c.313
37 (C.40A:5A-3), joint meeting or fire district.

38

39 2. A local unit entering into an interlocal services contract or a
40 joint services contract or becoming a part of a consolidated
41 municipality may offer and implement an incentive program for
42 retirement or termination of employment after approval of such
43 incentive program by the director. The program shall be limited to
44 full-time employees in any department, office, section, or other
45 organizational component of the local unit in which the number of
46 employees will be reduced or which will be eliminated as a result of

1 the interlocal services contract or joint services contract or municipal
2 consolidation. The incentive program may include one or more of the
3 following:

- 4 a. cash payments or the purchase of annuities;
- 5 b. employer contributions to an approved employee deferred
6 compensation program to the extent permitted by federal law;
- 7 c. payment by the local unit for continuation of health benefits
8 coverage after retirement for not more than five years or until the
9 employee attains the age of eligibility for Medicare, whichever occurs
10 first;
- 11 d. payment by the local unit for health benefits coverage after
12 retirement under the "New Jersey State Health Benefits Program Act,"
13 P.L.1961, c.49 (C.52:14-17.25 et seq.), or under group insurance
14 contracts pursuant to N.J.S.40A:10-23, for employees and dependents
15 in accordance with the law and rules governing the State Health
16 Benefits Program or the law governing such group insurance
17 contracts, as the case may be, for employees who fail to meet the
18 service requirement for payment for such coverage after retirement by
19 no more than five years, but who are otherwise eligible for employer
20 payment for health benefits coverage after retirement; or
- 21 e. additional service credit for employees who are members of the
22 Public Employees' Retirement System of New Jersey, pursuant to
23 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
24 Retirement System of New Jersey, pursuant to P.L.1944, c.255
25 (C.43:16A-1 et seq.), or a county pension fund created under
26 P.L.1943, c.160 (C.43:10-18.1 et seq.), or a municipal retirement
27 system created under P.L.1954, c.218 (C.43:13-22.3 et seq.) or
28 P.L.1964, c.275 (C.43:13-22.50 et seq.), as provided in section 4 of
29 P.L. , c. (C.) (now pending before the Legislature as this bill).

30
31 3. a. No later than six months prior to the date on which a
32 proposed incentive program is to begin, the local unit shall submit
33 detailed information concerning the incentive program to the director,
34 in a form and manner prescribed by the director, which shall include
35 the following:

- 36 (1) the governmental services affected by the interlocal services
37 contract or joint services contract or municipal consolidation;
- 38 (2) the departments, offices, sections, and other organizational
39 components of the local unit to be affected, and a list of the employees
40 thereof;
- 41 (3) the incentives to be offered;
- 42 (4) the estimated number of employees who will retire or terminate
43 employment under the incentive program;
- 44 (5) fiscal information sufficient to demonstrate that the incentive
45 program in conjunction with the interlocal services contract or joint
46 services contract or municipal consolidation will result in a reduction

1 for the local unit in the number of employees providing the affected
2 governmental services, including information on the number of
3 employees by which the local unit will reduce employment for a period
4 of at least five years;

5 (6) fiscal information sufficient to demonstrate that, taking into
6 consideration the costs of the incentive program, the interlocal
7 services contract or joint services contract or municipal consolidation
8 will result in a reduction in the cost of providing the affected
9 governmental services for the local unit;

10 (7) information on the fiscal stability of the local unit sufficient to
11 demonstrate that the local unit will be able to pay the costs for the
12 incentive program and for the interlocal services contract or joint
13 services contract or municipal consolidation which will result in net
14 savings and shall not necessitate any increase in property taxes for the
15 local unit;

16 (8) information sufficient to demonstrate that the local unit will
17 continue to provide the affected governmental services without the
18 number of employees that are expected to take the incentive;

19 (9) copies of proposed interlocal services contracts or joint
20 services contracts; and

21 (10) any other information which the director may require.

22 The director may, for good cause, permit a local unit to submit
23 information without complying with the time period for submission of
24 information or which does not conform to the specific informational
25 requirements of this subsection.

26 b. The director shall provide to the Director of the Division of
27 Pensions and Benefits in the Department of the Treasury sufficient
28 information relating to the incentive program so that the Director of
29 the Division of Pensions and Benefits may provide to the director:

30 (1) an estimate of the anticipated liability of the affected retirement
31 systems;

32 (2) a determination of whether the incentive program is reasonably
33 calculated to produce a reduction in the number of employees of the
34 local unit; and

35 (3) taking into consideration the liability for the incentive program,
36 an estimate of the net savings in the employment costs to provide the
37 affected governmental services.

38 c. In order to make the calculation required by subparagraph (2) of
39 subsection b. of this section, the Director of the Division of Pensions
40 and Benefits in the Department of the Treasury shall submit the
41 proposed incentive program to the actuary of each retirement system
42 which would be affected by the incentive program. Each actuary shall
43 estimate the additional liability to the retirement system for the
44 incentive program, including the liability for the additional service
45 credit and the earlier retirement of employees under the incentive
46 program. Each actuary shall provide the Director of the Division of

1 Pensions and Benefits with an opinion on whether the incentive
2 program is reasonably calculated to produce a reduction in the number
3 of employees of the local unit providing the affected governmental
4 services, and a net savings, taking into consideration the liability for
5 the incentive program, in the employment costs to provide the affected
6 governmental services. The State shall conduct the actuarial work
7 required by this subsection at no charge to the local units.

8 d. If the incentive program includes the provision of additional
9 service credit under State retirement systems for eligible employees,
10 the beginning and ending dates for the incentive program and the time
11 period during which the eligible employees will have to elect to
12 participate in the incentive program shall be subject to approval by the
13 Director of the Division of Pensions and Benefits in the Department of
14 the Treasury.

15 e. If the director determines that the incentive program, in
16 conjunction with the interlocal services contract or joint services
17 contract or municipal consolidation, will result in the local unit
18 continuing to provide the affected governmental services with fewer
19 employees and at a lower cost, and that the incentive program and the
20 interlocal services contract or joint services contract or municipal
21 consolidation will result in net savings and will not necessitate any
22 increase in local property taxes for the local unit, the director shall
23 approve the incentive program for implementation.

24
25 4. a. For employees who are members of the Police and Firemen's
26 Retirement System of New Jersey, pursuant to P.L.1944, c.255
27 (C.43:16A-1 et seq.), an incentive program for retirement may provide
28 additional months of service credit for an employee who has 20 or
29 more years of service credit on the last day for retirement under the
30 incentive program, so that the employee shall have an aggregate
31 amount of service credit under the retirement system of no more than
32 30 years on the effective date of retirement. In no case shall more
33 than 60 months of additional service credit be provided under the
34 incentive program.

35 b. For employees who are members of the Public Employees'
36 Retirement System of New Jersey, pursuant to P.L.1954, c.84
37 (C.43:15A-1 et seq.), or a county or municipal retirement system, an
38 incentive program for retirement may provide not more than 60
39 additional months of service credit for an employee who has 20 or
40 more years of service credit on the last day for retirement under the
41 incentive program.

42 c. An incentive program may require one or more of the following
43 criteria: a minimum number of years of service credit in a retirement
44 system, a minimum number of years of service with the local unit, or
45 a minimum age for eligibility to participate in the program.

46 d. An employee who receives an incentive benefit for retirement or

1 termination of employment under P.L. , c. (C.) (now
2 pending before the Legislature as this bill) shall forfeit any tenure, civil
3 service, or other employment right for continued employment or for
4 return to employment based upon the employment for which the
5 employee receives the incentive benefit.

6 e. When the needs of the local unit require the continuation in
7 service of an employee who elects to retire and receive an incentive
8 benefit under P.L. , c. (C.) (now pending before the
9 Legislature as this bill), the effective retirement date of the employee
10 may be delayed, with the approval of the governing body of the local
11 unit and the agreement of the employee, until the first day of any
12 month not later than the twelfth month after the last date for
13 retirement under the incentive program. If an employee whose
14 retirement is delayed under this subsection dies before the retirement
15 becomes effective, the retirement shall be effective on the first day of
16 the month after the date of death of the employee, unless the
17 employee's beneficiary for retirement benefits requests in writing to the
18 board of trustees of the retirement system that benefits payable for
19 death in active service be paid on behalf of the employee.

20 f. An employee retiring with an incentive benefit under P.L. ,
21 c. (C.) (now pending before the Legislature as this bill) who has
22 not paid the full amount of a loan from the retirement system by the
23 effective date of retirement may repay the loan through deductions
24 from the monthly retirement benefits in the same monthly amount
25 which was deducted from the member's compensation immediately
26 preceding retirement, until the balance of the amount borrowed with
27 interest at the statutory rate is repaid. If the retiree dies before the
28 outstanding balance of the loan and interest is repaid, the remaining
29 balance shall be repaid as provided in the laws governing the
30 retirement system for repayment of loans.

31 g. Notwithstanding the provisions of the laws governing the
32 retirement system, an employee purchasing service credit to qualify for
33 a benefit under P.L. , c. (C.) (now pending before the
34 Legislature as this bill) may, for each affected retirement system,
35 purchase a portion of the service credit which the employee is eligible
36 to purchase.

37 h. If the incentive program is approved and implemented, the
38 actuary to the affected retirement system shall determine the full
39 amount of the liability of the retirement system for the incentive
40 program including the liability for the additional service credit and the
41 earlier retirement of employees under the incentive program in
42 accordance with the assumptions used by the retirement system to
43 determine the full liabilities of the system. The local unit shall pay the
44 amount of the liability determined by the actuary to the retirement
45 system in a lump sum or through annual installment payments with
46 regular interest at the rate used by the retirement system to determine

1 liabilities and to estimate investment return for a period approved by
2 the Director of the Division of Pensions and Benefits in the
3 Department of the Treasury which shall not exceed 15 years. The
4 local unit shall pay the cost for the actuarial work to determine the full
5 liability of the retirement system if the incentive program is approved
6 and implemented. If the local unit does not make payments for the
7 liability, the cost of the actuarial work, and administrative expenses in
8 a timely manner, the local unit shall be subject to interest and penalties
9 on the payments on the same basis provided for late payment of
10 employer contributions to the retirement system under the laws and
11 rules governing the retirement system.

12 i. The Director of the Division of Pensions and Benefits in the
13 Department of the Treasury shall provide a local unit with information
14 on the estimated liability for the proposed incentive program, and
15 actual liability if the program is approved and implemented. If the
16 program provides additional service credit to employees under the
17 Public Employees' Retirement System of New Jersey, pursuant to
18 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
19 Retirement System of New Jersey, pursuant to P.L.1944, c.255
20 (C.43:16A-1 et seq.), the director shall provide the eligible employees
21 of the local unit with information on the benefits they would receive
22 under the incentive program, and other appropriate assistance, to
23 enable employees to decide whether to accept the incentive benefit and
24 retire from the retirement systems if they accept the incentive benefit.

25 j. The powers, duties and responsibilities related to retirement
26 systems under P.L. , c. (C.), (now pending before the
27 Legislature as this bill) for county and municipal retirement systems
28 shall be exercised and performed by the governing bodies of the
29 retirement systems.

30

31 5. Prior to the beginning date of the incentive program, appropriate
32 representatives of the governing body of a local unit which implements
33 an incentive program shall meet and consult with the majority
34 representative of the bargaining unit or units which include the
35 employees of the local unit who would be eligible for the incentive
36 program.

37

38 6. a. For a period of five years after the last date for retirement or
39 termination of employment under an incentive program implemented
40 pursuant to P.L. , c. , (C.) (now pending before the
41 Legislature as this bill), the employment level of the local unit for the
42 provision of governmental services previously performed by employees
43 that participated in the incentive program shall not, without the
44 approval of the director, exceed the employment level specified in the
45 incentive program approved by the director. The director may
46 approve an increase in the employment level to provide the affected

1 governmental services if the director determines that:

2 (1) changes in local conditions such as increased residential or
3 commercial development, increased population, or other changes, have
4 created an increased need or demand for the affected governmental
5 services and

6 (2) an increase in the employment level for the affected
7 governmental services is warranted and will provide for the delivery
8 of governmental services in an effective and cost efficient manner.
9 The local unit shall submit annual reports to the director for five years
10 after the last date for retirement or termination of employment under
11 an incentive program implemented pursuant to P.L. ,c. (C.)
12 (now pending before the Legislature as this bill), in the form and
13 manner required by the director, concerning the number of employees
14 and the employment costs to provide the affected governmental
15 services.

16 b. If a local unit exceeds the employment levels under subsection
17 a. of this section, it shall be required by the director to reimburse the
18 Division of Pensions and Benefits in the Department of the Treasury
19 for the costs of the actuarial work performed for the local unit
20 pursuant to subsection c. of section 3 of P.L. , c. (C.) (now
21 pending before the Legislature as this bill), as determined by the
22 director of that division.

23
24 7. The director may adopt rules to effectuate the purposes of this
25 act in accordance with the provisions of the "Administrative Procedure
26 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

27
28 8. The Director of the Division of Pensions and Benefits in the
29 Department of the Treasury may adopt rules to effectuate the purposes
30 of this act in accordance with the provisions of the "Administrative
31 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

32
33 9. This act shall take effect immediately.

34
35

36 STATEMENT

37
38 The purpose of this bill is to authorize municipalities, counties and
39 other local units of government which enter into agreements to
40 provide governmental services on a joint or consolidated basis, or
41 municipalities which join together to establish a new consolidated
42 municipality, to offer incentive programs for retirement or termination
43 of employment for employees affected by the consolidation
44 agreements. The provision of joint or consolidated governmental
45 services or consolidation of municipalities is often the most cost
46 effective and efficient way to provide a broad range of governmental

1 services while offering property tax relief to the residents of New
2 Jersey. This bill would provide local units with the tools necessary to
3 resolve labor and employment issues.

4 The incentives which may be offered include cash payments or the
5 purchase of annuities, employer contributions to deferred
6 compensation plans, extension of health benefits coverage for limited
7 periods of time, qualification for employer payment for health benefits
8 covered in retirement, and up to five years of additional service credit
9 in State, county or municipal retirement systems.

10 The incentive program must be approved by the Director of the
11 Division of Local Governmental Services in the Department of
12 Community Affairs. Approval requires a sufficient demonstration that
13 the incentive program would result in a reduction in the number of
14 employees and employment costs necessary to provide the affected
15 governmental services. The Director of the Division of Pensions and
16 Benefits in the Department of the Treasury would provide information
17 on the cost of the incentive program for the State retirement systems,
18 and on the savings in employment costs, at no charge to the local
19 units. Local units implementing incentive programs would be required
20 to pay the costs for the incentives, and would be prohibited from
21 increasing the number of employees to provide the affected
22 governmental services for five years without the approval of the
23 Director of the Division of Local Governmental Services. If a local
24 unit violates this employment restriction, it would be required to
25 reimburse the State for the costs of the actuarial work provided by the
26 Division of Pensions and Benefits in the Department of the Treasury,
27 as determined by the director of that division.

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1694

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 18, 1999

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Senate Bill No. 1694.

Senate Bill 1694, as amended by the committee, authorizes municipalities, counties and other local units of government which enter into agreements to provide governmental services on a joint or consolidated basis, municipalities which join together to establish a new consolidated municipality, or certain school districts that have merged with one or more other school districts due solely to a municipal consolidation to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements. This bill provides local units with the tools necessary to resolve labor and employment issues. The incentives that may be offered include cash payments or the purchase of annuities, employer contributions to deferred compensation plans, extension of health benefits coverage for limited periods of time, qualification for employer payment for health benefits covered in retirement, and up to five years of additional service credit in State, county or municipal retirement systems. An incentive program must be approved by the Director of the Division of Local Government Services in the Department of Community Affairs.

The committee amendments extend the retirement incentive program for retirement or termination of employment to employees of school districts that merge with other school districts due solely to municipal consolidations pursuant to the Municipal Consolidation Act.

This bill, as amended by the committee, is identical to Assembly Bill No. 12 (1R).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1694

STATE OF NEW JERSEY

DATED: MARCH 18, 1999

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1694 (1R).

This bill authorizes municipalities, counties and other local units of government that enter into agreements to provide governmental services on a joint or consolidated basis, municipalities that join together to establish a new consolidated municipality, or school districts that have merged with one or more other school districts due solely to a municipal consolidation, to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements.

The incentives that may be offered include: cash payments or the purchase of annuities; employer contributions to deferred compensation plans; employer-paid continuation after retirement of health benefits coverage for limited periods of time up to five years; employer-paid health benefits coverage after retirement for employees and dependents under the State Health Benefits Program or a local government employer's private carrier plan, notwithstanding that the employee does not meet the service requirement to be eligible for such paid coverage; or up to five years of additional service credit in State, county or municipal retirement systems.

An incentive program under the legislation must be approved by the Director of the Division of Local Government Services in the Department of Community Affairs. Approval requires a sufficient demonstration that the incentive program would result in a reduction in the number of employees and employment costs necessary to provide the affected governmental services. The Director of the Division of Pensions and Benefits in the Department of the Treasury would provide information on the cost of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. Local units implementing incentive programs would be required to pay the costs for the incentives, and would be prohibited from increasing the number of employees to provide the affected governmental services for five years without the approval of the Director of the Division of Local Governmental Services. If a local unit violates this employment restriction, it would

be required to reimburse the State for the costs of the actuarial work provided by the Division of Pensions and Benefits in the Department of the Treasury, as determined by the director of that division.

This bill would implement Recommendation 2.5 of the September 16, 1998 report to the Governor by the Property Tax Commission.

This bill is identical to Assembly Bill No. 12 (1R).

FISCAL IMPACT:

The Department of Community Affairs (DCA) has stated that the bill's only cost to the State is the requirement that the Director of Pensions and Benefits provide information on the costs of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. The DCA notes that it is not possible to estimate the prospective cost because it will depend on the number of local units requesting an analysis, and the complexity of such analysis may differ from case to case.

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 1694

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: MAY 4, 1999

Senate Bill No. 1694 of 1999 authorizes municipalities, counties and other local units of government which enter into agreements to provide governmental services on a joint or consolidated basis, or municipalities which join together to establish a new consolidated municipality, to offer incentive programs for retirement or termination of employment for employees affected by the consolidation agreements. The incentives which may be offered include cash payments or the purchase of annuities, employer contributions to deferred compensation plans, extension of health benefits coverage for limited periods of time, qualification for employer payment for health benefits covered in retirement, and up to five years of additional service credit in State, county or municipal retirement systems.

The Division of Local Government Services in the Department of Community Affairs (DCA) has advised the Office of Legislative Services (OLS) that the bill's only cost to the State is the requirement that the Director of the Division of Pensions and Benefits in the Department of the Treasury would provide information on the cost of the incentive program for the State retirement systems, and on the savings in employment costs, at no charge to the local units. The DCA notes that it is not possible to estimate the prospective cost to that division, because the cost will depend on the number of local units that request such an analysis, and the complexity of such an analysis may differ from case to case. However, the DCA notes that the bill specifically requires that local units implementing incentive programs would be required to pay the costs for the incentives, and would be prohibited from increasing the number of employees to provide the affected governmental services for five years without the approval of the Director of the Division of Local Governmental Services. The DCA also notes that under the bill, if a local unit violates this employment restriction, it would be required to reimburse the State for the costs of the actuarial work provided by the Division of Pensions and Benefits, so in some cases, the expenditures by that division would be reimbursed to the State.

The OLS concurs with the DCA's analysis, and notes that the actual cost to individual local governments of providing these incentives will depend on the number of affected employees in each local unit.

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

[First Reprint]

SENATE, No. 1694

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JANUARY 28, 1999

Sponsored by:

Senator NICHOLAS J. SACCO

District 32 (Bergen and Hudson)

Senator WALTER J. KAVANAUGH

District 16 (Morris and Somerset)

Co-Sponsored by:

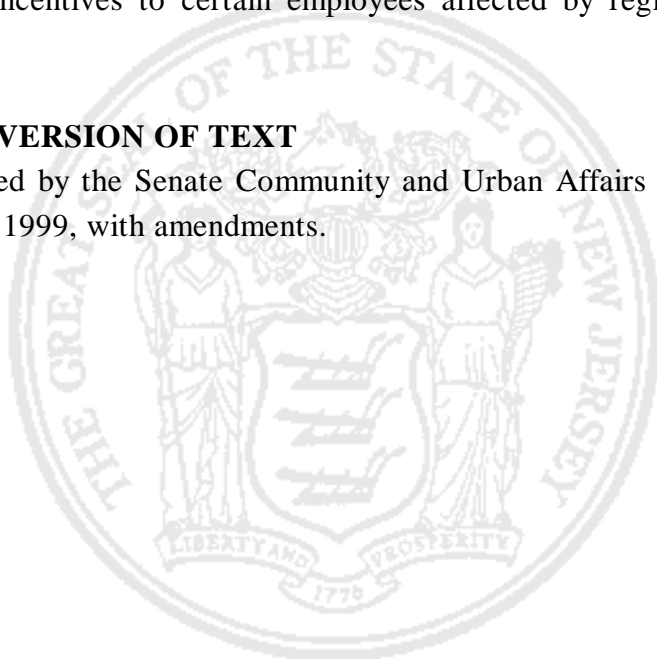
Senators O'Connor, Kenny, Schluter, Kyrillos and Baer

SYNOPSIS

Permits local units and certain school districts to offer retirement or termination incentives to certain employees affected by regionalization of services.

CURRENT VERSION OF TEXT

As reported by the Senate Community and Urban Affairs Committee on February 18, 1999, with amendments.



(Sponsorship Updated As Of: 3/23/1999)

1 AN ACT authorizing local units of government ¹and certain school
2 districts¹ to offer incentive programs for the retirement or
3 termination of certain employees when entering into interlocal
4 services contracts or joint services contracts, and supplementing
5 Title 40 of the Revised Statutes.

6

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

9

10 1. As used in this act, unless the context indicates otherwise:

11 "Chief executive officer" means the mayor of a municipality, the
12 elected county executive of a county, the director of the board of
13 chosen freeholders in a county that does not have an elected county
14 executive, and the chairman or other presiding officer of any other
15 governing body.

16 "Consolidated municipality" or "municipal consolidation" means the
17 resultant municipal entity created after approval and adoption of a
18 public question in favor of consolidation pursuant to the "Municipal
19 Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et seq.).

20 "Director" means the Director of the Division of Local Government
21 Services in the Department of Community Affairs.

22 "Governing body" means the board, commission, council or other
23 body having the control of the finances of a local unit; and in those
24 local units in which a chief executive officer is authorized by law to
25 participate in such control through powers of recommendation,
26 approval or veto, the term includes such executive officer to the extent
27 of such participation.

28 "Interlocal services contract" means a contract between two or
29 more local units for the joint provision of governmental services
30 pursuant to the "Interlocal Services Act," P.L.1973, c.208 (C.40:8A-1
31 et seq.).

32 "Joint services contract" means a contract between two or more
33 local units to form a joint meeting for the joint provision of
34 governmental services pursuant to the "Consolidated Municipal
35 Service Act," P.L.1952, c.72 (C.40:48B-1 et seq.).

36 "Local unit" means a municipality, consolidated municipality,
37 county, authority as defined in section 3 of P.L.1983, c.313
38 (C.40A:5A-3), joint meeting or fire district.

39

40 2. A local unit entering into an interlocal services contract or a
41 joint services contract or becoming a part of a consolidated
42 municipality may offer and implement an incentive program for

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SCU committee amendments adopted February 18, 1999.

1 retirement or termination of employment after approval of such
2 incentive program by the director. The program shall be limited to
3 full-time employees in any department, office, section, or other
4 organizational component of the local unit in which the number of
5 employees will be reduced or which will be eliminated as a result of
6 the interlocal services contract or joint services contract or municipal
7 consolidation. The incentive program may include one or more of the
8 following:

- 9 a. cash payments or the purchase of annuities;
- 10 b. employer contributions to an approved employee deferred
11 compensation program to the extent permitted by federal law;
- 12 c. payment by the local unit for continuation of health benefits
13 coverage after retirement for not more than five years or until the
14 employee attains the age of eligibility for Medicare, whichever occurs
15 first;
- 16 d. payment by the local unit for health benefits coverage after
17 retirement under the "New Jersey State Health Benefits Program Act,"
18 P.L.1961, c.49 (C.52:14-17.25 et seq.), or under group insurance
19 contracts pursuant to N.J.S.40A:10-23, for employees and dependents
20 in accordance with the law and rules governing the State Health
21 Benefits Program or the law governing such group insurance
22 contracts, as the case may be, for employees who fail to meet the
23 service requirement for payment for such coverage after retirement by
24 no more than five years, but who are otherwise eligible for employer
25 payment for health benefits coverage after retirement; or
- 26 e. additional service credit for employees who are members of the
27 Public Employees' Retirement System of New Jersey, pursuant to
28 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
29 Retirement System of New Jersey, pursuant to P.L.1944, c.255
30 (C.43:16A-1 et seq.), or a county pension fund created under
31 P.L.1943, c.160 (C.43:10-18.1 et seq.), or a municipal retirement
32 system created under P.L.1954, c.218 (C.43:13-22.3 et seq.) or
33 P.L.1964, c.275 (C.43:13-22.50 et seq.), as provided in section 4 of
34 P.L. , c. (C.) (now pending before the Legislature as this bill).

35
36 3. a. No later than six months prior to the date on which a
37 proposed incentive program is to begin, the local unit shall submit
38 detailed information concerning the incentive program to the director,
39 in a form and manner prescribed by the director, which shall include
40 the following:

- 41 (1) the governmental services affected by the interlocal services
42 contract or joint services contract or municipal consolidation;
- 43 (2) the departments, offices, sections, and other organizational
44 components of the local unit to be affected, and a list of the employees
45 thereof;
- 46 (3) the incentives to be offered;

1 (4) the estimated number of employees who will retire or terminate
2 employment under the incentive program;

3 (5) fiscal information sufficient to demonstrate that the incentive
4 program in conjunction with the interlocal services contract or joint
5 services contract or municipal consolidation will result in a reduction
6 for the local unit in the number of employees providing the affected
7 governmental services, including information on the number of
8 employees by which the local unit will reduce employment for a period
9 of at least five years;

10 (6) fiscal information sufficient to demonstrate that, taking into
11 consideration the costs of the incentive program, the interlocal
12 services contract or joint services contract or municipal consolidation
13 will result in a reduction in the cost of providing the affected
14 governmental services for the local unit;

15 (7) information on the fiscal stability of the local unit sufficient to
16 demonstrate that the local unit will be able to pay the costs for the
17 incentive program and for the interlocal services contract or joint
18 services contract or municipal consolidation which will result in net
19 savings and shall not necessitate any increase in property taxes for the
20 local unit;

21 (8) information sufficient to demonstrate that the local unit will
22 continue to provide the affected governmental services without the
23 number of employees that are expected to take the incentive;

24 (9) copies of proposed interlocal services contracts or joint
25 services contracts; and

26 (10) any other information which the director may require.

27 The director may, for good cause, permit a local unit to submit
28 information without complying with the time period for submission of
29 information or which does not conform to the specific informational
30 requirements of this subsection.

31 b. The director shall provide to the Director of the Division of
32 Pensions and Benefits in the Department of the Treasury sufficient
33 information relating to the incentive program so that the Director of
34 the Division of Pensions and Benefits may provide to the director:

35 (1) an estimate of the anticipated liability of the affected retirement
36 systems;

37 (2) a determination of whether the incentive program is reasonably
38 calculated to produce a reduction in the number of employees of the
39 local unit; and

40 (3) taking into consideration the liability for the incentive program,
41 an estimate of the net savings in the employment costs to provide the
42 affected governmental services.

43 c. In order to make the calculation required by subparagraph (2) of
44 subsection b. of this section, the Director of the Division of Pensions
45 and Benefits in the Department of the Treasury shall submit the
46 proposed incentive program to the actuary of each retirement system

1 which would be affected by the incentive program. Each actuary shall
2 estimate the additional liability to the retirement system for the
3 incentive program, including the liability for the additional service
4 credit and the earlier retirement of employees under the incentive
5 program. Each actuary shall provide the Director of the Division of
6 Pensions and Benefits with an opinion on whether the incentive
7 program is reasonably calculated to produce a reduction in the number
8 of employees of the local unit providing the affected governmental
9 services, and a net savings, taking into consideration the liability for
10 the incentive program, in the employment costs to provide the affected
11 governmental services. The State shall conduct the actuarial work
12 required by this subsection at no charge to the local units.

13 d. If the incentive program includes the provision of additional
14 service credit under State retirement systems for eligible employees,
15 the beginning and ending dates for the incentive program and the time
16 period during which the eligible employees will have to elect to
17 participate in the incentive program shall be subject to approval by the
18 Director of the Division of Pensions and Benefits in the Department of
19 the Treasury.

20 e. If the director determines that the incentive program, in
21 conjunction with the interlocal services contract or joint services
22 contract or municipal consolidation, will result in the local unit
23 continuing to provide the affected governmental services with fewer
24 employees and at a lower cost, and that the incentive program and the
25 interlocal services contract or joint services contract or municipal
26 consolidation will result in net savings and will not necessitate any
27 increase in local property taxes for the local unit, the director shall
28 approve the incentive program for implementation.

29
30 4. a. For employees who are members of the Police and Firemen's
31 Retirement System of New Jersey, pursuant to P.L.1944, c.255
32 (C.43:16A-1 et seq.), an incentive program for retirement may provide
33 additional months of service credit for an employee who has 20 or
34 more years of service credit on the last day for retirement under the
35 incentive program, so that the employee shall have an aggregate
36 amount of service credit under the retirement system of no more than
37 30 years on the effective date of retirement. In no case shall more
38 than 60 months of additional service credit be provided under the
39 incentive program.

40 b. For employees who are members of the Public Employees'
41 Retirement System of New Jersey, pursuant to P.L.1954, c.84
42 (C.43:15A-1 et seq.), or a county or municipal retirement system, an
43 incentive program for retirement may provide not more than 60
44 additional months of service credit for an employee who has 20 or
45 more years of service credit on the last day for retirement under the
46 incentive program.

1 c. An incentive program may require one or more of the following
2 criteria: a minimum number of years of service credit in a retirement
3 system, a minimum number of years of service with the local unit, or
4 a minimum age for eligibility to participate in the program.

5 d. An employee who receives an incentive benefit for retirement or
6 termination of employment under P.L. , c. (C.) (now
7 pending before the Legislature as this bill) shall forfeit any tenure, civil
8 service, or other employment right for continued employment or for
9 return to employment based upon the employment for which the
10 employee receives the incentive benefit.

11 e. When the needs of the local unit require the continuation in
12 service of an employee who elects to retire and receive an incentive
13 benefit under P.L. , c. (C.) (now pending before the
14 Legislature as this bill), the effective retirement date of the employee
15 may be delayed, with the approval of the governing body of the local
16 unit and the agreement of the employee, until the first day of any
17 month not later than the twelfth month after the last date for
18 retirement under the incentive program. If an employee whose
19 retirement is delayed under this subsection dies before the retirement
20 becomes effective, the retirement shall be effective on the first day of
21 the month after the date of death of the employee, unless the
22 employee's beneficiary for retirement benefits requests in writing to the
23 board of trustees of the retirement system that benefits payable for
24 death in active service be paid on behalf of the employee.

25 f. An employee retiring with an incentive benefit under P.L. ,
26 c. (C.) (now pending before the Legislature as this bill) who has
27 not paid the full amount of a loan from the retirement system by the
28 effective date of retirement may repay the loan through deductions
29 from the monthly retirement benefits in the same monthly amount
30 which was deducted from the member's compensation immediately
31 preceding retirement, until the balance of the amount borrowed with
32 interest at the statutory rate is repaid. If the retiree dies before the
33 outstanding balance of the loan and interest is repaid, the remaining
34 balance shall be repaid as provided in the laws governing the
35 retirement system for repayment of loans.

36 g. Notwithstanding the provisions of the laws governing the
37 retirement system, an employee purchasing service credit to qualify for
38 a benefit under P.L. , c. (C.) (now pending before the
39 Legislature as this bill) may, for each affected retirement system,
40 purchase a portion of the service credit which the employee is eligible
41 to purchase.

42 h. If the incentive program is approved and implemented, the
43 actuary to the affected retirement system shall determine the full
44 amount of the liability of the retirement system for the incentive
45 program including the liability for the additional service credit and the
46 earlier retirement of employees under the incentive program in

1 accordance with the assumptions used by the retirement system to
2 determine the full liabilities of the system. The local unit shall pay the
3 amount of the liability determined by the actuary to the retirement
4 system in a lump sum or through annual installment payments with
5 regular interest at the rate used by the retirement system to determine
6 liabilities and to estimate investment return for a period approved by
7 the Director of the Division of Pensions and Benefits in the
8 Department of the Treasury which shall not exceed 15 years. The
9 local unit shall pay the cost for the actuarial work to determine the full
10 liability of the retirement system if the incentive program is approved
11 and implemented. If the local unit does not make payments for the
12 liability, the cost of the actuarial work, and administrative expenses in
13 a timely manner, the local unit shall be subject to interest and penalties
14 on the payments on the same basis provided for late payment of
15 employer contributions to the retirement system under the laws and
16 rules governing the retirement system.

17 i. The Director of the Division of Pensions and Benefits in the
18 Department of the Treasury shall provide a local unit with information
19 on the estimated liability for the proposed incentive program, and
20 actual liability if the program is approved and implemented. If the
21 program provides additional service credit to employees under the
22 Public Employees' Retirement System of New Jersey, pursuant to
23 P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
24 Retirement System of New Jersey, pursuant to P.L.1944, c.255
25 (C.43:16A-1 et seq.), the director shall provide the eligible employees
26 of the local unit with information on the benefits they would receive
27 under the incentive program, and other appropriate assistance, to
28 enable employees to decide whether to accept the incentive benefit and
29 retire from the retirement systems if they accept the incentive benefit.

30 j. The powers, duties and responsibilities related to retirement
31 systems under P.L. , c. (C.), (now pending before the
32 Legislature as this bill) for county and municipal retirement systems
33 shall be exercised and performed by the governing bodies of the
34 retirement systems.

35

36 5. Prior to the beginning date of the incentive program, appropriate
37 representatives of the governing body of a local unit which implements
38 an incentive program shall meet and consult with the majority
39 representative of the bargaining unit or units which include the
40 employees of the local unit who would be eligible for the incentive
41 program.

42

43 6. a. For a period of five years after the last date for retirement or
44 termination of employment under an incentive program implemented
45 pursuant to P.L. , c. , (C.) (now pending before the
46 Legislature as this bill), the employment level of the local unit for the

1 provision of governmental services previously performed by employees
2 that participated in the incentive program shall not, without the
3 approval of the director, exceed the employment level specified in the
4 incentive program approved by the director. The director may
5 approve an increase in the employment level to provide the affected
6 governmental services if the director determines that:

7 (1) changes in local conditions such as increased residential or
8 commercial development, increased population, or other changes, have
9 created an increased need or demand for the affected governmental
10 services and

11 (2) an increase in the employment level for the affected
12 governmental services is warranted and will provide for the delivery
13 of governmental services in an effective and cost efficient manner.
14 The local unit shall submit annual reports to the director for five years
15 after the last date for retirement or termination of employment under
16 an incentive program implemented pursuant to P.L. ,c. (C.)
17 (now pending before the Legislature as this bill), in the form and
18 manner required by the director, concerning the number of employees
19 and the employment costs to provide the affected governmental
20 services.

21 b. If a local unit exceeds the employment levels under subsection
22 a. of this section, it shall be required by the director to reimburse the
23 Division of Pensions and Benefits in the Department of the Treasury
24 for the costs of the actuarial work performed for the local unit
25 pursuant to subsection c. of section 3 of P.L. , c. (C.) (now
26 pending before the Legislature as this bill), as determined by the
27 director of that division.

28

29 7. The director may adopt rules to effectuate the purposes of this
30 act in accordance with the provisions of the "Administrative Procedure
31 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

32

33 8. The Director of the Division of Pensions and Benefits in the
34 Department of the Treasury may adopt rules to effectuate the purposes
35 of this act in accordance with the provisions of the "Administrative
36 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

37

38 19. Notwithstanding the provisions of any other law to the
39 contrary, if a school district merges with one or more other school
40 districts due solely to municipal consolidation pursuant to the
41 "Municipal Consolidation Act," P.L.1977, c.435 (C.40:43-66.35 et
42 seq.), then the board of education of the merging district may offer and
43 implement an incentive program for retirement or termination of
44 employment of its employees after approval of such incentive program
45 by the director under substantially similar terms and conditions as are
46 provided for in sections 2, 3, 5 and 6 of P.L. , c. (C.) (now

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9

1 pending before the Legislature as this bill), as prescribed by, and
2 subject to the determination of, the Commissioner of the Department
3 of Education.¹

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5 ¹~~[9.]~~ 10.¹ This act shall take effect immediately.

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Office of the Governor
NEWS RELEASE

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**Governor Signs Bills to Reward Towns, Taxpayers for Sharing Services
\$35 Million Package a Key to Property Tax**

Gov. Christie Whitman today signed legislation providing \$35 million in state aid to encourage local governments to share services and to reward taxpayers in communities that take such steps.

The Governor said the new laws will promote government efficiency and taxpayer savings in a state crowded with more than 1,600 units of local government.

"With these programs, local officials can begin to make the fundamental changes in service delivery that will lead to long- term property tax reform," said Gov. Whitman.

The bills include a \$10 million Regional Efficiency Development Incentive (REDI) program to finance shared services actions and a \$25 million Regional Efficiency Aid Program (REAP) to provide tax credits to citizens in communities that combine services. The funds are included in the Governor's proposed state budget.

The Governor signed two other bills to remove regulatory stumbling blocks to shared service agreements and consolidation efforts. The bills are an outgrowth of recommendations by the Governor's Property Tax Commission, which offered 60 proposals for controlling property taxes, many of which focused on shared services, consolidation and regionalization.

The Governor today signed the following bills:

A-13, sponsored by Assembly Members Scott Garrett (R-Sussex/Hunterdon/Morris) and Paul Kramer (R-Mercer/Middlesex) and Senators Leonard Connors (R-Atlantic/Burlington/Ocean) and Edward O'Connor (R-Hudson), creates the REDI program. REDI will provide \$10 million in grants and loans to finance studies or start-up costs for new shared or regional service agreements.

A-14, sponsored by Assembly Members Leonard Lance (R-Warren/Hunterdon/Mercer) and Joseph Roberts (D-Camden/Gloucester) and Senators Norman Robertson (R-Essex/Passaic) and Bernard Kenny (D-Hudson), creates the REAP initiative. REAP will provide \$25 million as additional, permanent state aid based on specific shared service initiatives. The amount of REAP aid earned will be apportioned among all residential taxpayers and will be reflected on their local property tax bills.

A-12, sponsored by Assembly Members Michael Arnone (R- Monmouth) and Gerald Luongo (R-Camden/Gloucester) and Senators Nicholas Sacco (D-Bergen/Hudson) and Walter Kavanaugh (R-

Morris/Somerset), permits municipalities, counties and certain school districts to offer an early retirement incentive to employees affected by regionalization efforts.

A-11, sponsored by Assembly Member Samuel Thompson (R-Middlesex/Monmouth) and Guy Talarico (R-Bergen) and Senators John Lynch (D-Middlesex/Somerset/Union) and Martha Bark (R-Atlantic/Burlington/Camden), streamlines the municipal consolidation process and lets municipal officials create commissions to study consolidation by ordinance rather than through referendum.

State Department of Community Affairs Commissioner Jane M. Kenny said the new programs will help local governments work together on behalf of their taxpayers.

"Local officials will now have the resources to wage battle against the glut of government and redundancy in service that unfairly burden their taxpayers," said Commissioner Kenny. "As the Property Tax Commission found, local leaders must be willing to take a hard look at how services are provided if we are to realize property tax reform. These laws are designed to make that process easier and more beneficial."

The REDI program will be administered by the state Division of Local Government Services in the Department of Community Affairs and by the state Department of Education. Any county, municipality, school district or fire or special district is eligible to apply for REDI funds.

Because of the anticipated appeal of REDI program, the legislation authorizes DCA and the Commissioner of Education to negotiate combinations of grants and loans, depending on the types and costs of the projects proposed. Both departments will provide technical assistance to help local officials develop regional and shared programs.

The REAP assistance, meanwhile, will be based on a formula that considers points for the specific service to be shared; the community's population; the dollar value of each point awarded, and bonus points if the community is fiscally distressed.

REAP aid will be payable to the residents of any county, municipality, school district or fire or special district that entered into a new shared or regional service agreement after July 1, 1997. The aid will be paid directly to residential taxpayers as a credit on their local property tax bills for each calendar year in which the regional service agreement is in effect.