

P.L. 2003, CHAPTER 127, *approved July 14, 2003*
Assembly, No. 2638 (*Second Reprint*)

1 **AN ACT** concerning retirement benefits for employees of certain public
2 agencies or instrumentalities participating in the Public Employees'
3 Retirement System and the funding of the liabilities for those
4 benefits, and supplementing P.L.1954, c.84 (C.43:15A-1 et seq.).
5

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

9 1. An employee of a public agency or instrumentality that elects to
10 provide the benefits authorized under this act who:

11 a. is at least 50 years of age and has at least 25 years of service
12 credit under the ²[PERS] Public Employees' Retirement System
13 (PERS)² before the effective date of retirement;

14 b. files an application to retire ¹[after the effective date of this act
15 but on or before April 1, 2003] within ²[30 days] one month² after
16 the effective date of the resolution adopted by the governing body of
17 the employee's employer pursuant to section 5 of this act¹; and

18 c. retires under the retirement system ¹[after the effective date of
19 this act but not later than June 30, 2003] within ²[90 days] three
20 months² after the effective date of the resolution¹,
21 other than a veteran who retires on a special veteran's retirement, shall
22 receive an additional ²[five] three² years of service credit under
23 PERS. If the member is under age 55 at the time of retirement, the
24 member's retirement allowance shall not be reduced.

25 An employee who meets the age and service credit requirements
26 under this section and retires on a special veteran's retirement under
27 PERS shall receive an additional pension under the retirement system
28 in the amount of ²[5/55] 3/55² of the compensation upon which the
29 retirement allowance is based.

30 The additional retirement benefit under this section is applicable
31 only to the full-time employment with the employer that elects to
32 provide the benefits authorized under this act and from which the
33 employee retires to receive the benefit and the compensation for that
34 employment.
35

36 2. For an employee of a public agency or instrumentality that
37 provides paid health care benefits to retirees pursuant to P.L.1961,
38 c.49 (C.52:14-17.25 et seq.), N.J.S.40A:10-23, or another group

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 ASG committee amendments adopted May 8, 2003.

² Assembly AAP committee amendments adopted May 22, 2003.

- 1 health insurance contract or health care benefits plan and that elects to
2 provide the benefits authorized under this section who:
- 3 a. is at least 60 years of age and has at least 20, but less than 25,
4 years of service credit under the PERS before the effective date of
5 retirement;
- 6 b. files an application to retire ¹[after the effective date of this act
7 but on or before April 1, 2003] within ²[30 days] one month² after
8 the effective date of the resolution adopted by the governing body of
9 the employee's employer pursuant to section 5 of this act¹ ; and
- 10 c. retires under the retirement system ¹[after the effective date of
11 this act but not later than June 30, 2003] within ²[90 days] three
12 months² after the effective date of the resolution¹ ,
13 the employer shall pay the entire cost for coverage for the retired
14 employee and the employee's dependents, but not including survivors
15 unless the employer is paying the entire cost for coverage for survivors
16 on the effective date of this act. For employers participating in the
17 New Jersey State Health Benefits Program (NJSHBP), the payment
18 shall be made in the same manner provided for payment by an
19 employer other than the State of premiums or periodic charges for
20 retired employees under section 7 of P.L.1964, c.125 (C.52:14-17.38)
21 ²[or section 6 of P.L.1996, c.8 (C.52:14-17.28b)]². For employers
22 not participating in the NJSHBP, the payment shall be made in the
23 same manner provided for payment of premiums after retirement under
24 N.J.S.40A:10-23 or section 8 of P.L.1979, c.391 (C.18A:16-19), or
25 the employer's group health insurance contract or health care benefits
26 plan.
- 27 The level of benefits to retirees under this section shall be the same
28 as the level of benefits provided by that employer to other retirees who
29 would retire during the same period.
- 30
- 31 3. A public agency or instrumentality that does not provide paid
32 health care benefits to retirees and that elects to provide the benefits
33 authorized under this act shall pay to an employee who meets the
34 qualifications of subsections a., b. and c. of section 2 of this act an
35 additional pension of \$500 per month in each of the 24 months
36 following the date of retirement.
- 37
- 38 4. For an employee of a public agency or instrumentality that elects
39 to provide the benefits authorized under this act who:
- 40 a. is at least 60 years of age and has at least 10, but less than
41 20, years of service credit under PERS before the effective date of
42 retirement;
- 43 b. files an application to retire ¹[after the effective date of this act
44 but on or before April 1, 2003] within ²[30 days] one month² after
45 the effective date of the resolution adopted by the governing body of
46 the employee's employer pursuant to section 5 of this act¹ ; and

1 c. retires under the retirement system ¹[the effective date of this
2 act but not later than June 30, 2003] within ²[90 days] three months²
3 after the effective date of the resolution¹ ,
4 the employer shall pay an additional pension of \$500 per month in each
5 of the 24 months following the date of retirement.

6
7 5. An employer may elect to provide the benefits under this act by
8 the adoption of a resolution by its governing body ¹, which is to be
9 effective on the first day of a month, within one year of the effective
10 date of this act, P.L. , c. (now pending before the Legislature as
11 this bill).¹ and the filing of a certified copy of the resolution with the
12 Director of the Division of Pensions and Benefits ¹[after the effective
13 date of this act but before April 1, 2003] within 3 business days after
14 its adoption¹. ²The governing body may elect to provide the benefits
15 under this act one time only and the effective date of the resolution
16 shall fall within the one year period following the effective date of this
17 act.² The employer shall submit to the director any information
18 necessary to provide the benefits or to determine the liability for them.

19
20 6. The actuary for the PERS shall determine the liability of the
21 retirement system for the additional service credit or pensions
22 provided under this act and for the early retirement of employees in
23 accordance with the tables of actuarial assumptions adopted by the
24 board of trustees of the retirement system. This liability shall be added
25 to the unfunded accrued liability of the employer under the retirement
26 system and shall be paid by the employer over a period of 15 years in
27 the same manner as provided for the employer's unfunded accrued
28 liability of the retirement system under section 24 of P.L.1954, c.84
29 (C.43:15A-24).

30 The retirement system shall annually certify to each employer the
31 contributions due to the contingent reserve fund for the liability under
32 this act. The contributions certified by the retirement systems shall be
33 paid by the employer to the retirement system on or before the date
34 prescribed by law for payment of employer contributions for basic
35 retirement benefits. If payment of the full amount of the contribution
36 certified is not made within 30 days after the last date for payment of
37 employer contributions for basic retirement benefits, interest at the
38 rate of 10% per year shall be assessed against the unpaid balance on
39 the first day after the thirtieth day.

40 The employer shall pay the cost of the actuarial work to determine
41 the additional liability of the retirement system for the benefits under
42 this act and that cost shall be included in the initial contribution
43 required from the employer.

44
45 7. An employee who receives a benefit under this act shall forfeit
46 all tenure rights.

1 8. When the needs of a public agency or instrumentality require the
2 services of an employee who elects to retire and receive a benefit
3 under this act, the employer, with the approval of the governing body
4 of that agency or instrumentality and with the consent of the
5 employee, may delay the effective retirement date of the employee
6 until the first day of any calendar month after ¹[June 30, 2003] the
7 ²[90th day] third month² after the effective date of the resolution
8 adopted by the governing body of the employer pursuant to section 5
9 of this act¹ but not later than ¹[June 30, 2004] one year after that
10 ²[90th day¹] three month period². A delay in the effective retirement
11 date of an employee shall not extend the dates set forth in sections 1
12 through 4 of this act to qualify for benefits under this act.

13 For a member of the PERS whose effective retirement date is
14 delayed under this section and who dies before the retirement becomes
15 effective, the retirement shall be effective as of the first day of the
16 month after the date of death of the member if the member's
17 beneficiary requests in writing to the board of trustees of the
18 retirement system that the retirement be effective under the Option
19 settlement selected by the member, or under Option 3 if the member
20 did not select an Option.

21
22 9. An employee of a public agency or instrumentality purchasing
23 service credit on or after the effective date of this act to qualify for a
24 benefit under this act may purchase a portion of the credit that the
25 employee is eligible to purchase.

26
27 10. For the purposes of this act, "employee of a public agency or
28 instrumentality" means a full-time employee of an authority, board,
29 commission, corporation, or other agency or instrumentality that is a
30 participating employer in the PERS, ¹[including] excluding ¹ an
31 agency or instrumentality authorized to participate in the PERS under
32 section 73 of P.L.1954, c.84 (C.43:15A-73) and P.L.1990, c.25
33 (C.43:15A-73.2 et seq.) ¹and excluding an agency or instrumentality
34 whose employees were covered by P.L.2002, c.23¹, and ¹including¹
35 a public agency or organization as defined in section 71 of P.L.1954,
36 c.84 (C.43:15A-71) ¹ but not any State agency or organization¹, but
37 excluding Rutgers, The State University, the New Jersey Institute of
38 Technology, the University of Medicine and Dentistry of New Jersey,
39 a State or a county college, a board of education, a county and a
40 municipality, who is eligible to participate in the employer's health care
41 benefits plan.

42
43 11. Prior to ¹[April 1, 2003] ²[the date on which the governing
44 body of the employer adopts a resolution pursuant to section 5 of this
45 act¹] the end of the one year period following the effective date of
46 this act², each public agency or instrumentality covered by the

1 provisions of this act shall meet and consult with the representatives
2 of the bargaining unit or units representing the employees who would
3 be eligible for benefits under this act.

4
5 12. The Director of the Division of Pensions and Benefits may
6 promulgate rules and regulations that the director deems necessary for
7 the effective implementation of this act.

8
9 13. (New section) A public agency or instrumentality that has the
10 power pursuant to ¹[law] P.L.2002, c.42¹ to issue bonds from time
11 to time in its discretion for any of its purposes, including the paying or
12 retiring of any bonds previously issued by it, ¹[shall have] and¹ the
13 power to issue bonds to retire the present value of the unfunded
14 accrued liability due and owing by an agency or instrumentality, as
15 calculated by the system actuary for a date certain upon the request of
16 an agency or instrumentality, for early retirement incentive benefits
17 granted by the agency or instrumentality ¹shall have the power to do
18 the same for benefits granted¹ pursuant to ¹[P.L.1991, c.230,
19 P.L.1993, c.181, or]¹ P.L. , c. (now pending before the
20 Legislature as this bill ¹[.]¹) ¹.

21
22 14. This act shall take effect immediately.

23
24
25 _____
26
27 Provides additional retirement benefits for certain employees of
28 authorities, boards, commission, corporations, and other agencies and
29 instrumentalities participating in PERS; permits issuance of refunding
30 bonds to fund benefits.

ASSEMBLY, No. 2638

STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED JUNE 30, 2002

Sponsored by:

Assemblyman ALBIO SIRES

District 33 (Hudson)

Assemblyman JOSEPH V. DORIA, JR.

District 31 (Hudson)

Co-Sponsored by:

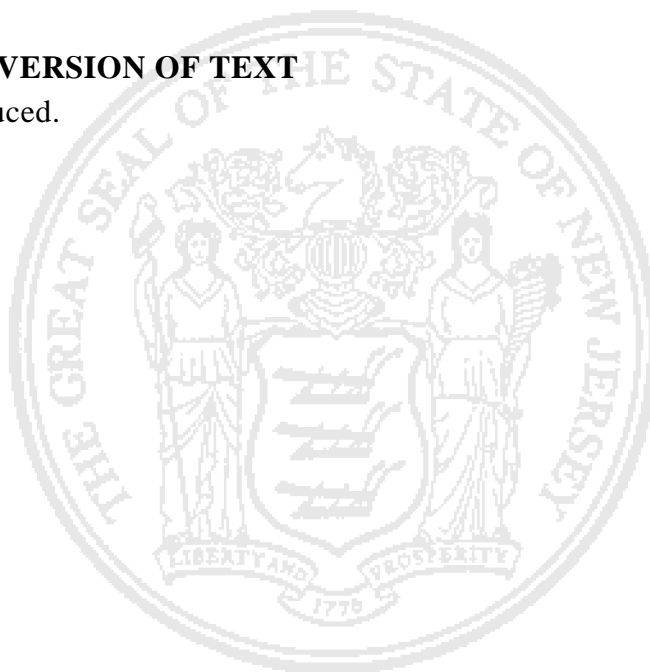
Assemblymen Impreveduto, Wisniewski and Moran

SYNOPSIS

Provides additional retirement benefits for certain employees of authorities, boards, commission, corporations, and other agencies and instrumentalities participating in PERS; permits issuance of refunding bonds to fund benefits.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/6/2003)

A2638 SIRES, DORIA

2

1 AN ACT concerning retirement benefits for employees of certain public
2 agencies or instrumentalities participating in the Public Employees'
3 Retirement System and the funding of the liabilities for those
4 benefits, and supplementing P.L.1954, c.84 (C.43:15A-1 et seq.).
5

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

9 1. An employee of a public agency or instrumentality that elects to
10 provide the benefits authorized under this act who:

11 a. is at least 50 years of age and has at least 25 years of service
12 credit under the PERS before the effective date of retirement;

13 b. files an application to retire after the effective date of this act
14 but on or before April 1, 2003; and

15 c. retires under the retirement system after the effective date of this
16 act but not later than June 30, 2003,

17 other than a veteran who retires on a special veteran's retirement, shall
18 receive an additional five years of service credit under PERS. If the
19 member is under age 55 at the time of retirement, the member's
20 retirement allowance shall not be reduced.

21 An employee who meets the age and service credit requirements
22 under this section and retires on a special veteran's retirement under
23 PERS shall receive an additional pension under the retirement system
24 in the amount of 5/55 of the compensation upon which the retirement
25 allowance is based.

26 The additional retirement benefit under this section is applicable
27 only to the full-time employment with the employer that elects to
28 provide the benefits authorized under this act and from which the
29 employee retires to receive the benefit and the compensation for that
30 employment.
31

32 2. For an employee of a public agency or instrumentality that
33 provides paid health care benefits to retirees pursuant to P.L.1961,
34 c.49 (C.52:14-17.25 et seq.), N.J.S.40A:10-23, or another group
35 health insurance contract or health care benefits plan and that elects to
36 provide the benefits authorized under this section who:

37 a. is at least 60 years of age and has at least 20, but less than 25,
38 years of service credit under the PERS before the effective date of
39 retirement;

40 b. files an application to retire after the effective date of this act
41 but on or before April 1, 2003; and

42 c. retires under the retirement system after the effective date of this
43 act but not later than June 30, 2003,

44 the employer shall pay the entire cost for coverage for the retired
45 employee and the employee's dependents, but not including survivors
46 unless the employer is paying the entire cost for coverage for survivors

1 on the effective date of this act. For employers participating in the
2 New Jersey State Health Benefits Program (NJSHBP), the payment
3 shall be made in the same manner provided for payment by an
4 employer other than the State of premiums or periodic charges for
5 retired employees under section 7 of P.L.1964, c.125 (C.52:14-17.38)
6 or section 6 of P.L.1996, c.8 (C.52:14-17.28b). For employers not
7 participating in the NJSHBP, the payment shall be made in the same
8 manner provided for payment of premiums after retirement under
9 N.J.S.40A:10-23 or section 8 of P.L.1979, c.391 (C.18A:16-19), or
10 the employer's group health insurance contract or health care benefits
11 plan.

12 The level of benefits to retirees under this section shall be the same
13 as the level of benefits provided by that employer to other retirees who
14 would retire during the same period.

15

16 3. A public agency or instrumentality that does not provide paid
17 health care benefits to retirees and that elects to provide the benefits
18 authorized under this act shall pay to an employee who meets the
19 qualifications of subsections a., b. and c. of section 2 of this act an
20 additional pension of \$500 per month in each of the 24 months
21 following the date of retirement.

22

23 4. For an employee of a public agency or instrumentality that elects
24 to provide the benefits authorized under this act who:

25 a. is at least 60 years of age and has at least 10, but less than
26 20, years of service credit under PERS before the effective date of
27 retirement;

28 b. files an application to retire after the effective date of this act
29 but on or before April 1, 2003; and

30 c. retires under the retirement system after the effective date of this
31 act but not later than June 30, 2003,

32 the employer shall pay an additional pension of \$500 per month in each
33 of the 24 months following the date of retirement.

34

35 5. An employer may elect to provide the benefits under this act by
36 the adoption of a resolution by its governing body and the filing of a
37 certified copy of the resolution with the Director of the Division of
38 Pensions and Benefits after the effective date of this act but before
39 April 1, 2003. The employer shall submit to the director any
40 information necessary to provide the benefits or to determine the
41 liability for them.

42

43 6. The actuary for the PERS shall determine the liability of the
44 retirement system for the additional service credit or pensions
45 provided under this act and for the early retirement of employees in
46 accordance with the tables of actuarial assumptions adopted by the

1 board of trustees of the retirement system. This liability shall be added
2 to the unfunded accrued liability of the employer under the retirement
3 system and shall be paid by the employer over a period of 15 years in
4 the same manner as provided for the employer's unfunded accrued
5 liability of the retirement system under section 24 of P.L.1954, c.84
6 (C.43:15A-24).

7 The retirement system shall annually certify to each employer the
8 contributions due to the contingent reserve fund for the liability under
9 this act. The contributions certified by the retirement systems shall be
10 paid by the employer to the retirement system on or before the date
11 prescribed by law for payment of employer contributions for basic
12 retirement benefits. If payment of the full amount of the contribution
13 certified is not made within 30 days after the last date for payment of
14 employer contributions for basic retirement benefits, interest at the
15 rate of 10% per year shall be assessed against the unpaid balance on
16 the first day after the thirtieth day.

17 The employer shall pay the cost of the actuarial work to determine
18 the additional liability of the retirement system for the benefits under
19 this act and that cost shall be included in the initial contribution
20 required from the employer.

21

22 7. An employee who receives a benefit under this act shall forfeit
23 all tenure rights.

24

25 8. When the needs of a public agency or instrumentality require the
26 services of an employee who elects to retire and receive a benefit
27 under this act, the employer, with the approval of the governing body
28 of that agency or instrumentality and with the consent of the
29 employee, may delay the effective retirement date of the employee
30 until the first day of any calendar month after June 30, 2003 but not
31 later than June 30, 2004. A delay in the effective retirement date of an
32 employee shall not extend the dates set forth in sections 1 through 4
33 of this act to qualify for benefits under this act.

34 For a member of the PERS whose effective retirement date is
35 delayed under this section and who dies before the retirement becomes
36 effective, the retirement shall be effective as of the first day of the
37 month after the date of death of the member if the member's
38 beneficiary requests in writing to the board of trustees of the
39 retirement system that the retirement be effective under the Option
40 settlement selected by the member, or under Option 3 if the member
41 did not select an Option.

42

43 9. An employee of a public agency or instrumentality purchasing
44 service credit on or after the effective date of this act to qualify for a
45 benefit under this act may purchase a portion of the credit that the
46 employee is eligible to purchase.

1 10. For the purposes of this act, "employee of a public agency or
2 instrumentality" means a full-time employee of an authority, board,
3 commission, corporation, or other agency or instrumentality that is a
4 participating employer in the PERS, including an agency or
5 instrumentality authorized to participate in the PERS under section 73
6 of P.L.1954, c.84 (C.43:15A-73) and P.L.1990, c.25 (C.43:15A-73.2
7 et seq.), and a public agency or organization as defined in section 71
8 of P.L.1954, c.84 (C.43:15A-71), but excluding Rutgers, The State
9 University, the New Jersey Institute of Technology, the University of
10 Medicine and Dentistry of New Jersey, a State or a county college, a
11 board of education, a county and a municipality, who is eligible to
12 participate in the employer's health care benefits plan.

13

14 11. Prior to April 1, 2003, each public agency or instrumentality
15 covered by the provisions of this act shall meet and consult with the
16 representatives of the bargaining unit or units representing the
17 employees who would be eligible for benefits under this act.

18

19 12. The Director of the Division of Pensions and Benefits may
20 promulgate rules and regulations that the director deems necessary for
21 the effective implementation of this act.

22

23 13. (New section) A public agency or instrumentality that has the
24 power pursuant to law to issue bonds from time to time in its
25 discretion for any of its purposes, including the paying or retiring of
26 any bonds previously issued by it, shall have the power to issue bonds
27 to retire the present value of the unfunded accrued liability due and
28 owing by an agency or instrumentality, as calculated by the system
29 actuary for a date certain upon the request of an agency or
30 instrumentality, for early retirement incentive benefits granted by the
31 agency or instrumentality pursuant to P.L.1991, c.230, P.L.1993,
32 c.181, or P.L. , c. (now pending before the Legislature as this
33 bill.)

34

35 14. This act shall take effect immediately.

36

37

38

STATEMENT

39

40 This bill provides for additional retirement benefits for certain
41 employees of a public agency or instrumentality, other than the State,
42 who retire under the Public Employees' Retirement System (PERS)
43 after the effective date of this bill but not later than June 30, 2003 , if
44 the employer elects to provide the benefits. These employers are
45 authorities, boards, commissions, corporations and other agencies and
46 instrumentalities participating in the PERS.

1 Employees who are at least 50 years of age and have at least
2 25 years of service credit as of the effective date of retirement will
3 receive an additional five years of service credit. If the member is
4 under age 55 at the time of retirement, the member's retirement
5 allowance will not be reduced.

6 Employees who satisfy age and service requirements and who retire
7 on special veteran's retirement will receive an additional pension in the
8 amount of 5/55 of the compensation upon which the retirement
9 allowance is based.

10 Employees of employers that offer retirees paid health care benefits
11 coverage who are at least 60 years of age with between 10 and
12 20 years of service as of the effective date of retirement will receive
13 payment of the cost for health care benefits coverage. Employees of
14 employers that do not offer retirees paid health care benefits coverage
15 who are at least 60 years of age and have at least 20 years of service
16 as of the effective date of retirement will not be eligible for paid health
17 care benefits coverage, but will receive an additional pension payment
18 of \$500 per month for the first 24 months after retirement.

19 Employees who are at least 60 years of age with at least 10 but not
20 more than 20 years of service credit as of the effective date of
21 retirement will receive an additional pension of \$500 per month for the
22 first 24 months after retirement.

23 The employer may elect to provide these benefits by the adoption
24 of a resolution by its governing body and the filing of a certified copy
25 with the Director of the Division of Pensions and Benefits. Employers
26 covered by this bill must meet with the employee union representatives
27 prior to April 1, 2003. The actuaries of the PERS retirement system
28 will calculate the system liability for the additional benefits and the
29 employers will be responsible for the payment of this liability over a
30 period of 15 years.

31 When the needs of an employer require the services of an employee
32 who elects to retire and receive a benefit under this bill, the employer,
33 with the approval of the governing body and the consent of the
34 employee, may delay the effective retirement date of the employee for
35 up to one year. The delay authorized under the bill does not extend
36 the dates for qualification for benefits.

37 The bill empowers an agency or instrumentality with bonding
38 authority to issue refunding bonds to retire the present value of the
39 unfunded accrued pension liabilities for the early retirement incentive
40 benefits granted in 1991, 1993 and by this bill.

41 The employees eligible for the benefits under this bill are all eligible
42 to retire under their respective retirement systems. The purpose of
43 these additional benefits is to induce more of them to retire and, thus,
44 assist in reducing the workforce and costs of the various agencies
45 covered by the bill in this time of fiscal constraint.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2638

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 8, 2003

The Assembly State Government Committee reports favorably and with committee amendments Assembly, No. 2638.

As amended, this bill provides additional retirement benefits to certain employees of a public agency or instrumentality, other than State agencies or instrumentalities, that elects to provide the benefits, who retire under the Public Employees' Retirement System (PERS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution. Once a resolution is adopted and effective, employees will have 30 days to file an application and 90 days to retire. These employers are authorities, boards, commissions, corporations and other agencies and instrumentalities participating in the PERS.

Employees who are at least 50 years of age and have at least 25 years of service credit as of the effective date of retirement will receive an additional five years of service credit. If the member is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. Employees who satisfy age and service requirements and who retire on special veteran's retirement will receive an additional pension in the amount of 5/55 of the compensation upon which the retirement allowance is based.

Employees of employers that offer retirees paid health care benefits coverage who are at least 60 years of age with between 10 and 20 years of service as of the effective date of retirement will receive payment of the cost for health care benefits coverage. Employees of employers that do not offer retirees paid health care benefits coverage who are at least 60 years of age and have at least 20 years of service as of the effective date of retirement will not be eligible for paid health care benefits coverage, but will receive an additional pension payment of \$500 per month for the first 24 months after retirement. Employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit as of the effective date of retirement will receive an additional pension of \$500 per month for the first 24 months after retirement.

The employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy

with the Director of the Division of Pensions and Benefits. Employers covered by this bill must meet with the employee union representatives prior to adopting a resolution. The PERS actuary will calculate the liability for the additional benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill empowers an agency or instrumentality with bonding authority to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the early retirement incentive benefits granted by this bill.

COMMITTEE AMENDMENTS

The committee amended the bill to provide that the governing body of an employer will have one year after the enactment of the bill to adopt a resolution electing to offer the additional retirement benefits. Once a resolution is adopted and effective, employees will have 30 days to file an application and 90 days to retire. The committee also amended the bill to clarify the law under which the employers may issue refunding bonds to retire their liability for the benefits under the bill, and to clarify that the bill does not include any State agency or instrumentality.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2638

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 20, 2003

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2638 with committee amendments.

Assembly Bill No. 2638 (1R), as amended, provides additional retirement benefits to certain employees of a public agency or instrumentality, other than State agencies or instrumentalities, that elects to provide the benefits, who retire under the Public Employees' Retirement System (PERS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution. Once a resolution is adopted and effective, employees will have one month to file an application and three months to retire. These employers are authorities, boards, commissions, corporations and other agencies and instrumentalities participating in the PERS.

Employees who are at least 50 years of age and have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit. If the member is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. Employees who satisfy age and service requirements and who retire on special veteran's retirement will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

Employees of employers that offer retirees paid health care benefits coverage who are at least 60 years of age with between 10 and 20 years of service as of the effective date of retirement will receive payment of the cost for health care benefits coverage. Employees of employers that do not offer retirees paid health care benefits coverage who are at least 60 years of age and have at least 20 years of service as of the effective date of retirement will not be eligible for paid health care benefits coverage, but will receive an additional pension payment of \$500 per month for the first 24 months after retirement. Employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit as of the effective date of retirement will receive an additional pension of \$500 per month for the first 24 months after retirement.

The employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits. The effective date of the resolution must fall within one year of enactment of this bill; an employer may offer these benefits only once. An employer covered by this bill must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this bill. The PERS actuary will calculate the liability for the additional benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill empowers an agency or instrumentality with bonding authority to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the early retirement incentive benefits granted by this bill.

FISCAL IMPACT:

This bill is permissive, whereby, the number of authorities, boards, commissions or agencies that elect to participate is not known. Also, the number of eligible employees of the agencies which elect to participate is a further unknown variable.

COMMITTEE AMENDMENTS:

The amendments:

- * reduce the additional service credit from five years to three years;
- * clarify the time frames for submitting retirement applications and retiring to cover full month periods, regardless of the number of days in a month;
- * specify that these benefits may be offered only once in the year following enactment;
- * specify that the effective date for the adopted resolution must fall within the one year period following enactment;
- * clarify that employers must meet with employees and their bargaining units within one year following enactment, regardless of whether a resolution to provide the benefits is adopted or not; and
- * delete a citation no longer applicable because the bill no longer covers any State entities.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Second Reprint]

ASSEMBLY, No. 2638

STATE OF NEW JERSEY

DATED: JUNE 30, 2003

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2638 (2R).

This bill provides additional retirement benefits to certain employees of a public agency or instrumentality, other than State agencies or instrumentalities, that elects to provide the benefits, who retire under the Public Employees' Retirement System (PERS). The governing body of the employer will have one year after the enactment of this bill to adopt a resolution. Once a resolution is adopted and effective, employees will have one month to file an application and three months to retire. These employers are authorities, boards, commissions, corporations and other agencies and instrumentalities participating in the PERS.

Employees who are at least 50 years of age and have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit. A member of PERS who is under age 55 at the time of retirement will be exempt from any actuarial reduction in retirement allowance. Employees who satisfy age and service requirements and who retire on special veteran's retirement will receive an additional pension in the amount of $\frac{3}{55}$ of the compensation upon which the retirement allowance is based.

Employees of employers that offer retirees paid health care benefits coverage who are at least 60 years of age with between 20 and 25 years of service as of the effective date of retirement will receive payment of the cost for health care benefits coverage. Employees of employers that do *not* offer retirees paid health care benefits coverage who are at least 60 years of age and have between 20 and 25 years of service as of the effective date of retirement will not be eligible for paid health care benefits coverage, but will receive an additional pension payment of \$500 per month for the first 24 months after retirement. Employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit as of the effective date of retirement will receive an additional pension of \$500 per month for the first 24 months after retirement.

The employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy

with the Director of the Division of Pensions and Benefits. The effective date of the resolution must fall within one year of enactment of this bill; an employer may offer these benefits only once. An employer covered by this bill must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this bill. The PERS actuary will calculate the liability for the additional benefits and the employers will be responsible for the payment of this liability over a period of 15 years.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this bill, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the bill does not extend the dates for qualification for benefits.

The bill empowers an agency or instrumentality with bonding authority to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the early retirement incentive benefits granted by this bill.

FISCAL IMPACT

This bill is permissive, so that it is not known how many eligible employers would elect to participate or how many qualified employees of those participating employers will elect to accept the retirement incentive. Accordingly, it is impossible to project the fiscal impact of the bill on participating agencies and instrumentalities.

LEGISLATIVE FISCAL ESTIMATE
 [Second Reprint]
ASSEMBLY, No. 2638
STATE OF NEW JERSEY
210th LEGISLATURE

DATED: JULY 8, 2003

SUMMARY

- Synopsis:** Provides additional retirement benefits for certain employees of authorities, boards, commissions, corporations, and other agencies and instrumentalities participating in PERS; permits issuance of refunding bonds to fund benefits.
- Type of Impact:** Expenditure reduction short-term; expenditure increase subsequent years, non-State employers.
- Agencies Affected:** Non-State public agencies and authorities participating in PERS.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Cost	Indeterminate (see Comments Below)		
Local Savings	Indeterminate (see Comments Below)		

- ! Provides additional retirement benefits to members of the Public Employees Retirement System (PERS) who are employed by Non-State authorities, boards, commissions or agencies, at the option of the authority, board, commission or agency.
- ! There is a potential for the local employer to realize salary, social security, Medicare and pensions contribution cost savings. Additional employer costs include an unfunded pension liability for the enhanced pension benefits (category 1 benefits), additional post-retirement health care payments (category 2 benefits) and additional pensions for two years following retirement (category 3 benefits). Therefore, net savings would depend on whether the positions are left vacant for a certain period of years or filled with lower-paid employees.

BILL DESCRIPTION

Assembly Bill No. 2638 [2R] of 2002 would allow a non-State public agency or instrumentality to provide additional retirement benefits to certain employees who retire under the Public Employees' Retirement System (PERS). The governing body of the employer will

have one year after the enactment of this bill to adopt a resolution for this provision. Once a resolution is adopted and effective, employees will have one month to file an application and three months to retire. A certified copy is to be filed with the Director of the Division of Pensions and Benefits.

An employee who is at least 50 years of age and has at least 25 years of service credit under PERS as of the effective date of retirement will receive an additional three years of service credit (category 1 benefits). If a member of PERS is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. An employee veteran who meets the age and service credit requirements and retires on a special veteran's retirement under PERS will receive an additional pension in the amount of 3/55 of the compensation on which the retirement allowance is based.

Employees of employers that offer retirees paid health care benefits coverage who are at least 60 years of age with between 10 and 20 years of service as of the effective date of retirement will receive payment of the cost for health care benefits coverage (category 2 benefits). An employee who is at least 60 years of age with at least 10, but less than 20, years of service credit will receive an additional payment of \$500 per month for the 24 months following retirement (category 3 benefits).

When the needs of an employer require the services of an employee who elects to receive a benefit under this bill, the employer may delay, with the consent of the employee, the effective retirement date of the employee for up to one year. The authorization for a delay in the effective retirement date does not extend the dates for qualification for benefits.

The cost of the enhanced pension benefits will be funded through employer contributions paid by the authorities, boards, commissions and other agencies to the retirement systems, calculated separately for each entity over a period of 15 years. The cost of the health care benefits payments for eligible retirees and their dependents will be paid by the employer on a current cost basis.

The bill also authorizes authorities, boards, commissions and other agencies to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for the early retirement incentive benefits granted by the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) cannot estimate the potential additional cost of this bill because this bill is permissive and the number of authorities, boards, commissions or agencies that elect to participate is not known. Also, the number of eligible employees of the agencies which elect to participate is an additional unknown variable.

Due to the provisions of this bill, non-State employers that elect to offer these enhanced retirement benefits will realize an increased cost for an unfunded pension liability created as a result of the retirement of employees eligible for the enhanced pension benefits (category 1 benefits), for the post-retirement health care benefits offered to employees who are over age 60

and have between 10 and 20 years of service (category 2 benefits), and for the additional \$500 monthly payments for two years following retirement (category 3 benefits). Therefore, the positions vacated by retiring employees would have to remain vacant for a certain period for years or be filled with a lower-paid employee after a certain period in order for net savings to accrue to the employer. The OLS notes that it cannot be assumed that retirees will not be replaced or will be replaced with lower-paid employees when it is likely that positions will be filled through the promotion of experienced personnel earning almost as much as the retirees they are replacing.

Salary, social security and Medicare savings that the employer may accrue would partially offset the additional cost. The employer would not have to make pension contributions for each employee who retires and whose position is not filled. The employer would realize salary savings for positions that are not filled or turnover savings (salary differential) for a position that is filled with a lower-paid employee.

Section: *State Government*

Analyst: *James F. Vari*
Senior Fiscal Analyst

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

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