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P.L. 2005, CHAPTER 341, *approved January 12, 2006*  
Senate, No. 2471 (*First Reprint*)

1 AN ACT concerning coverage provided to State employees and  
2 retirees under the State Health Benefits Program and amending  
3 P.L.1961, c.49 <sup>1</sup>and P.L.1996, c.8<sup>1</sup>.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to read  
9 as follows:

10 4. The commission shall negotiate with and arrange for the  
11 purchase, on such terms as it deems to be in the best interests of the  
12 State and its employees, from carriers licensed to operate in the State,  
13 contracts providing hospital, surgical, obstetrical, medical and major  
14 medical expense benefits covering employees of the State and their  
15 dependents, and shall execute all documents pertaining thereto for and  
16 on behalf and in the name of the State. The commission shall not enter  
17 into a contract under this act unless the benefits provided thereunder  
18 equal or exceed the minimum standards specified in section 5 of  
19 P.L.1961, c.49 (C.52:14-17.29) for the particular coverage which such  
20 contract provides[;] , and unless coverage is available to all eligible  
21 employees and their dependents on the basis specified by section 7 of  
22 P.L.1961, c.49 (C.52:14-17.31), except that [a State employee  
23 enrolled in the program on or after July 1, 2003 may not be eligible for  
24 coverage under the traditional plan as defined in section 2 of P.L.1961,  
25 c.49 (C.52:14-17.26)] <sup>1</sup>[for State employees enrolled in the program,  
26 coverage under any plan may be limited or discontinued] a State  
27 employee enrolled in the program on or after July 1, 2003 and all law  
28 enforcement officers employed by the State for whom there is a  
29 majority representative for collective negotiation purposes may not be  
30 eligible for coverage under the traditional plan as defined in section 2  
31 of P.L.1961, c.49 (C.52:14-17.26)<sup>1</sup> pursuant to a binding collective  
32 negotiations agreement or pursuant to the application by the  
33 commission, in its sole discretion, of the terms of any collective  
34 negotiations agreement binding on the State to State employees for  
35 whom there is no majority representative for collective negotiations  
36 purposes.

37 (cf: P.L.2003, c.119, s.1)

38  
39 <sup>1</sup>2. Section 6 of P.L.1996, c.8 (C.52: 14-17.28b) is amended to  
40 read as follows:

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

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SSG committee amendments adopted June 16, 2005.

1       6. a. Notwithstanding the provisions of any other law to the  
2 contrary, the obligations of the State or an independent State  
3 authority, board, commission, corporation, agency, or organization to  
4 pay the premium or periodic charges for health benefits coverage  
5 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be  
6 determined by means of a binding collective negotiations agreement,  
7 including any agreements in force at the time of the adoption of  
8 P.L.1996, c.8. With respect to State employees for whom there is no  
9 majority representative for collective negotiations purposes, the  
10 commission may, in its sole discretion, modify the respective payment  
11 obligations set forth in P.L.1961, c.49 for the State and such  
12 employees in a manner consistent with the terms of any collective  
13 negotiations agreement binding on the State. With respect to  
14 employees of an independent State authority, board, commission,  
15 corporation, agency, or organization for whom there is no majority  
16 representative for collective negotiations purposes, the employer may,  
17 in its sole discretion, modify the respective payment obligations set  
18 forth in P.L.1961, c.49 for such employer and such employees in a  
19 manner consistent with the terms of any collective negotiations  
20 agreement binding on such employer. The provisions of this  
21 subsection shall also apply to employees deemed or considered to be  
22 employees of the State pursuant to subsection (c) of section 2 of  
23 P.L.1961, c.49 (C.52:14-17.26).

24       b. (1) Notwithstanding the provisions of any other law to the  
25 contrary, for each State employee who accrues 25 years of  
26 nonconcurrent service credit in one or more State or  
27 locally-administered retirement systems before July 1, 1997, excepting  
28 the employee who elects deferred retirement, the State, upon the  
29 employee's retirement, shall pay the full cost of the premium or  
30 periodic charges for the health benefits provided to a retired State  
31 employee and dependents covered under the State Health Benefits  
32 Program, but not including survivors, and shall also reimburse the  
33 retired employee for premium charges under Part B of Medicare  
34 covering the retired employee and the employee's spouse.

35       (2) Notwithstanding the provisions of any other law to the contrary,  
36 and except as otherwise provided by section 8 of P.L.1961, c.49  
37 (C.52:14-17.32) as amended by P.L. , c. (now pending before the  
38 Legislature as this bill), for each State employee who accrues 25 years  
39 of nonconcurrent service credit in one or more State or  
40 locally-administered retirement systems on or after July 1, 1997,  
41 excepting the employee who elects deferred retirement, the State,  
42 upon the employee's retirement, shall pay the premium or periodic  
43 charges for the health benefits provided to a retired State employee  
44 and dependents covered under the State Health Benefits Program, but  
45 not including survivors, and shall reimburse the retired employee for  
46 premium charges under Part B of Medicare covering the retired

1 employee and the employee's spouse: (a) in accordance with the  
2 provisions, if any, concerning health benefits coverage in retirement  
3 which are in the collective negotiations agreement applicable to the  
4 employee at the time of the employee's accrual of 25 years of  
5 nonconcurrent service credit in one or more State or  
6 locally-administered retirement systems, or (b) if the employee has no  
7 majority representative for collective negotiations purposes, in a  
8 manner consistent with the terms, if any, concerning health benefits  
9 coverage in retirement which are in any collective negotiations  
10 agreement deemed applicable by the State Health Benefits Commission  
11 to that employee at the time of the employee's accrual of 25 years of  
12 nonconcurrent service credit in one or more State or  
13 locally-administered retirement systems.<sup>1</sup>

14 (cf: P.L.2001, c.209, s.1)

15

16 <sup>1</sup>[2.] 3.<sup>1</sup> Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended  
17 to read as follows:

18 8. a. The basic coverage and the major medical coverage of any  
19 employee, and the employee's dependents, if any, shall cease upon the  
20 discontinuance of the term of office or employment or upon cessation  
21 of active full-time employment subject to such regulations as may be  
22 prescribed by the commission for limited continuance of basic  
23 coverage and major medical coverage during disability, part-time  
24 employment, leave of absence or lay off, and for continuance of basic  
25 coverage and major medical coverage after retirement, any such  
26 continuance after retirement to be provided at such rates and under  
27 such conditions as shall be prescribed by the commission, subject,  
28 however, to the requirements hereinafter set forth in this section.  
29 Notwithstanding the provisions of any law to the contrary, for <sup>1</sup>[State  
30 employees] law enforcement officers employed by the State for whom  
31 there is a majority representative for collective negotiation purposes,  
32 and for nonaligned sworn members of the Division of the State Police<sup>1</sup>  
33 who retire after July 1, 2005, the coverage options available to such  
34 employees in retirement shall be limited to those options that were  
35 available to the employee on the employee's last day of employment.  
36 The commission may also establish regulations prescribing an  
37 extension of coverage when an employee or dependent is totally  
38 disabled at termination of coverage.

39 b. Rates payable by retired employees for themselves and their  
40 dependents, by active employees for dependents covered by medicare  
41 benefits, and by the State or other employer for an active employee  
42 alone covered by medicare benefits, shall be determined on the basis  
43 of utilization experience according to classifications determined by the  
44 commission, provided, however, that the total rate payable by such  
45 retired employee for the employee and the employee's dependents, or  
46 by such active employee for the employee's dependents and the State

1 or other employer for such active employee alone, for coverage  
2 hereunder and for Part B of medicare, shall not exceed by more than  
3 25%, as determined by the commission, the total amount which would  
4 have been required to have been paid by the employee and by the State  
5 or other employer for the coverage maintained had the employee  
6 continued in office or active employment and the employee and the  
7 employee's dependents were not eligible for medicare benefits.  
8 "Medicare" as used in this act means the coverage provided under  
9 Title XVIII of the Social Security Act as amended in 1965, or its  
10 successor plan or plans.

11 c. (1) From funds appropriated therefor, the State shall pay the  
12 premium or periodic charges for the benefits provided to a retired  
13 State employee and the employee's dependents covered under the  
14 program, but not including survivors, if such employee retired from  
15 one or more State or locally-administered retirement systems on a  
16 benefit or benefits based in the aggregate on 25 years or more of  
17 nonconcurrent service credited in the retirement systems, excepting the  
18 employee who elected deferred retirement, but including the employee  
19 who retired on a disability pension based on fewer years of service  
20 credited in the retirement systems and shall also reimburse such retired  
21 employee for the premium charges under Part B of the federal  
22 medicare program covering the retired employee and the employee's  
23 spouse. In the case of full-time employees of the Rutgers University  
24 Cooperative Extension Service, service credited in the federal Civil  
25 Service Retirement System (5 U.S.C.s.8331 et seq.) which was earned  
26 as a result of full-time employment at Rutgers University, may be  
27 considered alone or in combination with service credited in one or  
28 more State or locally-administered retirement systems for the purposes  
29 of establishing the minimum 25-year service requirement to qualify for  
30 the benefits provided in this section. Any full-time employee of the  
31 Rutgers University Cooperative Extension Service who meets the  
32 eligibility requirements set forth in this amendatory act shall be eligible  
33 for the benefits provided in this section, provided that at the time of  
34 retirement such employee was covered by the State Health Benefits  
35 Program and elected to continue such coverage into retirement.

36 (2) Notwithstanding the provisions of this section to the contrary,  
37 from funds appropriated therefor, the State shall pay the premium or  
38 periodic charges for the benefits provided to a retired State employee  
39 and the employee's dependents covered under the program, but not  
40 including survivors, if: (a) the employee retires on or after the effective  
41 date of this 1987 amendatory act; (b) the employee was employed by  
42 Rutgers University prior to January 2, 1955 and remained in  
43 continuous service with Rutgers University until retirement even  
44 though the employee (i) did not join a State-administered retirement  
45 system, or, (ii) became a member of a State-administered retirement  
46 system, but accumulated less than 25 years of credited service; and (c)

1 the employee is covered by the program at the time of retirement.

2 (3) Notwithstanding the provisions of this section to the contrary,  
3 in the case of an employee of a State college, as described in chapter  
4 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
5 defined in N.J.S.18A:64A-1, service credited in a private defined  
6 contribution retirement plan which was earned as an employee of an  
7 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
8 (C.18A:64-27), at a State or county college shall be considered in  
9 combination with service credited in a State-administered retirement  
10 system for the purposes of establishing the minimum 25-year service  
11 requirement to qualify for the benefits provided in this section,  
12 provided that the employee is covered by the program at the time of  
13 retirement.

14 (4) Notwithstanding the provisions of this section to the contrary,  
15 from funds appropriated therefor, the State shall pay the premium or  
16 periodic charges for the benefits provided to a retired State employee  
17 and any dependents covered under the program, but not including  
18 survivors, if the employee: (a) retired prior to the effective date of this  
19 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
20 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
21 et seq.), with more than 20 but less than 25 years of service credit in  
22 the retirement system; (b) was subsequently employed by the State in  
23 another position or positions not covered by the State Police  
24 Retirement System; (c) has, in the aggregate, at least 30 years of  
25 full-time employment with the State; and (d) is covered by the  
26 program at the time of terminating full-time employment with the  
27 State.

28 (cf: P.L.2001, c.209, s.2)

29

30 <sup>1</sup>[3.] 4.<sup>1</sup> This act shall take effect immediately.

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33

34

35 Limits coverage under SHBP traditional health indemnity plan for  
36 State law enforcement officers; limits SHBP coverage options for  
37 State law enforcement officer retirees and nonaligned Division of State  
38 Police retirees.

**SENATE, No. 2471**

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**STATE OF NEW JERSEY**  
**211th LEGISLATURE**

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INTRODUCED MAY 5, 2005

**Sponsored by:**

**Senator BERNARD F. KENNY, JR.**

**District 33 (Hudson)**

**Senator LEONARD LANCE**

**District 23 (Warren and Hunterdon)**

**SYNOPSIS**

Permits coverage under any SHBP plan for State employees to be limited or discontinued pursuant to terms of collective negotiations agreement; limits SHBP coverage options for future State retirees.

**CURRENT VERSION OF TEXT**

As introduced.





1 AN ACT concerning coverage provided to State employees and  
2 retirees under the State Health Benefits Program and amending  
3 P.L.1961, c.49.

4

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

7

8 1. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to read  
9 as follows:

10 4. The commission shall negotiate with and arrange for the  
11 purchase, on such terms as it deems to be in the best interests of the  
12 State and its employees, from carriers licensed to operate in the State,  
13 contracts providing hospital, surgical, obstetrical, medical and major  
14 medical expense benefits covering employees of the State and their  
15 dependents, and shall execute all documents pertaining thereto for and  
16 on behalf and in the name of the State. The commission shall not enter  
17 into a contract under this act unless the benefits provided thereunder  
18 equal or exceed the minimum standards specified in section 5 of  
19 P.L.1961, c.49 (C.52:14-17.29) for the particular coverage which such  
20 contract provides[;] , and unless coverage is available to all eligible  
21 employees and their dependents on the basis specified by section 7 of  
22 P.L.1961, c.49 (C.52:14-17.31), except that [a State employee  
23 enrolled in the program on or after July 1, 2003 may not be eligible for  
24 coverage under the traditional plan as defined in section 2 of P.L.1961,  
25 c.49 (C.52:14-17.26)] for State employees enrolled in the program.  
26 coverage under any plan may be limited or discontinued pursuant to a  
27 binding collective negotiations agreement or pursuant to the  
28 application by the commission, in its sole discretion, of the terms of  
29 any collective negotiations agreement binding on the State to State  
30 employees for whom there is no majority representative for collective  
31 negotiations purposes.

32 (cf: P.L.2003, c.119, s.1)

33

34 2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read  
35 as follows:

36 8. a. The basic coverage and the major medical coverage of any  
37 employee, and the employee's dependents, if any, shall cease upon the  
38 discontinuance of the term of office or employment or upon cessation  
39 of active full-time employment subject to such regulations as may be  
40 prescribed by the commission for limited continuance of basic  
41 coverage and major medical coverage during disability, part-time  
42 employment, leave of absence or lay off, and for continuance of basic  
43 coverage and major medical coverage after retirement, any such

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

**Matter underlined thus is new matter.**

1 continuance after retirement to be provided at such rates and under  
2 such conditions as shall be prescribed by the commission, subject,  
3 however, to the requirements hereinafter set forth in this section.  
4 Notwithstanding the provisions of any law to the contrary, for State  
5 employees who retire after July 1, 2005, the coverage options  
6 available to such employees in retirement shall be limited to those  
7 options that were available to the employee on the employee's last day  
8 of employment. The commission may also establish regulations  
9 prescribing an extension of coverage when an employee or dependent  
10 is totally disabled at termination of coverage.

11 b. Rates payable by retired employees for themselves and their  
12 dependents, by active employees for dependents covered by medicare  
13 benefits, and by the State or other employer for an active employee  
14 alone covered by medicare benefits, shall be determined on the basis  
15 of utilization experience according to classifications determined by the  
16 commission, provided, however, that the total rate payable by such  
17 retired employee for the employee and the employee's dependents, or  
18 by such active employee for the employee's dependents and the State  
19 or other employer for such active employee alone, for coverage  
20 hereunder and for Part B of medicare, shall not exceed by more than  
21 25%, as determined by the commission, the total amount which would  
22 have been required to have been paid by the employee and by the State  
23 or other employer for the coverage maintained had the employee  
24 continued in office or active employment and the employee and the  
25 employee's dependents were not eligible for medicare benefits.  
26 "Medicare" as used in this act means the coverage provided under  
27 Title XVIII of the Social Security Act as amended in 1965, or its  
28 successor plan or plans.

29 c. (1) From funds appropriated therefor, the State shall pay the  
30 premium or periodic charges for the benefits provided to a retired  
31 State employee and the employee's dependents covered under the  
32 program, but not including survivors, if such employee retired from  
33 one or more State or locally-administered retirement systems on a  
34 benefit or benefits based in the aggregate on 25 years or more of  
35 nonconcurrent service credited in the retirement systems, excepting the  
36 employee who elected deferred retirement, but including the employee  
37 who retired on a disability pension based on fewer years of service  
38 credited in the retirement systems and shall also reimburse such retired  
39 employee for the premium charges under Part B of the federal  
40 medicare program covering the retired employee and the employee's  
41 spouse. In the case of full-time employees of the Rutgers University  
42 Cooperative Extension Service, service credited in the federal Civil  
43 Service Retirement System (5 U.S.C.s.8331 et seq.) which was earned  
44 as a result of full-time employment at Rutgers University, may be  
45 considered alone or in combination with service credited in one or  
46 more State or locally-administered retirement systems for the purposes

1 of establishing the minimum 25-year service requirement to qualify for  
2 the benefits provided in this section. Any full-time employee of the  
3 Rutgers University Cooperative Extension Service who meets the  
4 eligibility requirements set forth in this amendatory act shall be eligible  
5 for the benefits provided in this section, provided that at the time of  
6 retirement such employee was covered by the State Health Benefits  
7 Program and elected to continue such coverage into retirement.

8 (2) Notwithstanding the provisions of this section to the contrary,  
9 from funds appropriated therefor, the State shall pay the premium or  
10 periodic charges for the benefits provided to a retired State employee  
11 and the employee's dependents covered under the program, but not  
12 including survivors, if: (a) the employee retires on or after the effective  
13 date of this 1987 amendatory act; (b) the employee was employed by  
14 Rutgers University prior to January 2, 1955 and remained in  
15 continuous service with Rutgers University until retirement even  
16 though the employee (i) did not join a State-administered retirement  
17 system, or, (ii) became a member of a State-administered retirement  
18 system, but accumulated less than 25 years of credited service; and (c)  
19 the employee is covered by the program at the time of retirement.

20 (3) Notwithstanding the provisions of this section to the contrary,  
21 in the case of an employee of a State college, as described in chapter  
22 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
23 defined in N.J.S.18A:64A-1, service credited in a private defined  
24 contribution retirement plan which was earned as an employee of an  
25 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
26 (C.18A:64-27), at a State or county college shall be considered in  
27 combination with service credited in a State-administered retirement  
28 system for the purposes of establishing the minimum 25-year service  
29 requirement to qualify for the benefits provided in this section,  
30 provided that the employee is covered by the program at the time of  
31 retirement.

32 (4) Notwithstanding the provisions of this section to the contrary,  
33 from funds appropriated therefor, the State shall pay the premium or  
34 periodic charges for the benefits provided to a retired State employee  
35 and any dependents covered under the program, but not including  
36 survivors, if the employee: (a) retired prior to the effective date of this  
37 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
38 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
39 et seq.), with more than 20 but less than 25 years of service credit in  
40 the retirement system; (b) was subsequently employed by the State in  
41 another position or positions not covered by the State Police  
42 Retirement System; (c) has, in the aggregate, at least 30 years of  
43 full-time employment with the State; and (d) is covered by the  
44 program at the time of terminating full-time employment with the  
45 State.

46 (cf: P.L.2001, c.209, s.2)

1       3. This act shall take effect immediately.

2

3

4

STATEMENT

5

6       This bill amends N.J.S.A.52:14-17.28 to modify the benefits of  
7 State employees under the New Jersey State Health Benefits Program  
8 (SHBP). The bill provides that the coverage under any plan provided  
9 to State employees enrolled in the SHBP may be limited or  
10 discontinued pursuant to a binding collective negotiations agreement  
11 or pursuant to the application by the State Health Benefits  
12 Commission, in its sole discretion, of the terms of any collective  
13 negotiations agreement binding on the State to non-aligned State  
14 employees. This bill deletes language that was added in 2003 to  
15 provide that a State employee enrolled in SHBP on or after July 1,  
16 2003 may not be eligible for coverage in the traditional plan pursuant  
17 to a binding collective negotiations agreement or pursuant to the  
18 application by the State Health Benefits Commission, in its sole  
19 discretion, of the terms of any collective negotiations agreement  
20 binding on the State to non-aligned State employees. The general  
21 nature of the new language will essentially supersede the specific  
22 language of the 2003 change.

23       In addition, the bill amends N.J.S.A.52:14-17.32 to require that, for  
24 State employees who retire after July 1, 2005, the coverage options  
25 available to such employees in retirement will be limited to those  
26 options that were available to the employee on the employee's last day  
27 of employment.

# ASSEMBLY STATE GOVERNMENT COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 2471**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 8, 2005

The Assembly State Government Committee reports favorably Senate, No. 2471 (1R).

This bill amends N.J.S.A. 52:14-17.28 to provide that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, the bill amends N.J.S.A. 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

Senate, No. 2471 (1R) is the same as Assembly, No. 4048(1R) of 2005.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 2471**

# STATE OF NEW JERSEY

DATED: JANUARY 5, 2006

The Assembly Appropriations Committee reports favorably Senate Bill No. 2471 (1R).

Senate Bill No. 2471 (1R) amends N.J.S.A. 52:14-17.28 to provide that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, the bill amends N.J.S.A. 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

As reported, Senate Bill No. 2471 (1R) is identical to Assembly Bill No. 4048 (1R), as also reported by the committee.

### FISCAL IMPACT:

The Office of Legislative Services (OLS) has estimated that the State will save \$3.5 million in FY 2006 due to the provisions of this legislation. The OLS based this saving on an estimated 1,040 members currently enrolled in the Traditional Plan electing to enroll in NJ PLUS. At present, the Traditional Plan cost the State \$9,915 per enrolled member. By contrast, the cost to the State per member enrolled in NJ PLUS is \$6,560; a difference of \$3,355 per member.

# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### **SENATE, No. 2471**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 16, 2005

The Senate State Government Committee reports without recommendation and with committee amendments Senate, No. 2471.

As amended, this bill amends N.J.S.A.52:14-17.28 to modify the benefits of State employees enrolled in the New Jersey State Health Benefits Program (SHBP) on or after July 1, 2003 and all law enforcement officers employed by the State. The bill provides that the coverage provided to such employees if they are enrolled in the SHBP under the traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, the bill amends N.J.S.A.52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

The committee amended the bill to: 1) limit coverage under the SHBP traditional indemnity health insurance plan for all law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes; and 2) limit SHBP coverage options for State law enforcement officer retirees and nonaligned members of Division of State Police retirees to those options that were available to the employee on the employee's last day of employment.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2471

STATE OF NEW JERSEY

211th LEGISLATURE

DATED: JULY 8, 2005

## SUMMARY

- Synopsis:** Limits coverage under State Health Benefits Program traditional health indemnity plan for State law enforcement officers; limits State Health Benefits Program coverage options for State law enforcement officer retirees and nonaligned Division of State Police retirees.
- Type of Impact:** Expenditure reduction: State General Fund.
- Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.

### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>
<b>State (Saving)</b>	(\$3,500,000)	(\$3,600,000)	(\$3,700,000)

- ! Modifies the State Health Benefits Program (SHBP) for certain State law enforcement officers and retirees on or after July 1, 2005. Limits or discontinues the traditional indemnity health insurance plan pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.
- ! For law enforcement personnel covered by the recently negotiated State contracts and assuming that members currently enrolled in the Traditional Plan will elect to enroll in NJ PLUS, the estimated cost saving associated with the closure of the Traditional Plan is \$3.5 million.
- ! The Office of Legislative Services (OLS) estimated saving in FY 2006 based on 1,040 members currently enrolled in the Traditional Plan switching to NJ PLUS.

## BILL DESCRIPTION

Senate Bill No. 2471 (1R) of 2005 would modify the SHBP for certain State law enforcement officers and retirees. On or after July 1, 2005, health benefits coverage provided to such employees if they are enrolled in the SHBP under the traditional indemnity health



insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

The bill would limit coverage under the SHBP traditional indemnity health insurance plan for all law enforcement officers employed by the State to whom there is a majority representative for collective negotiation purposes; and limit SHBP coverage options for State law enforcement officer retirees and nonaligned members of the Division of State Police retirees to those options that were available to the employee on the employee's last day of employment.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the State will save \$3.5 million in FY 2006 due to the provisions of this legislation. The OLS based this saving on an estimated 1,040 members currently enrolled in the Traditional Plan electing to enroll in NJ PLUS. At present, the Traditional Plan cost the State \$9,915 per enrolled member. By contrast, the cost to the State per member enrolled in NJ PLUS is \$6,560; a difference of \$3,355 per member. Approximately 1,040 law enforcement officers are enrolled in the Traditional Plan. Assuming each member currently enrolled in the Traditional Plan elects to enroll in NJ PLUS, the State would save approximately \$3.5 million beginning in FY 2006.

The OLS projects savings of \$3.6 million in FY 2007 and \$3.7 million in FY 2008.

Section: *State Government*

Analyst: *James F. Vari*  
*Senior Fiscal Analyst*

Approved: *David J. Rosen*  
*Legislative Budget and Finance Officer*

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

# ASSEMBLY, No. 4048

## STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED MAY 5, 2005

**Sponsored by:**

**Assemblyman KEVIN J. O'TOOLE**

**District 40 (Bergen, Essex and Passaic)**

**SYNOPSIS**

Permits coverage under any SHBP plan for State employees to be limited or discontinued pursuant to terms of collective negotiations agreement; limits SHBP coverage options for future State retirees.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning coverage provided to State employees and  
2 retirees under the State Health Benefits Program and amending  
3 P.L.1961, c.49.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to read  
9 as follows:

10 4. The commission shall negotiate with and arrange for the  
11 purchase, on such terms as it deems to be in the best interests of the  
12 State and its employees, from carriers licensed to operate in the State,  
13 contracts providing hospital, surgical, obstetrical, medical and major  
14 medical expense benefits covering employees of the State and their  
15 dependents, and shall execute all documents pertaining thereto for and  
16 on behalf and in the name of the State. The commission shall not enter  
17 into a contract under this act unless the benefits provided thereunder  
18 equal or exceed the minimum standards specified in section 5 of  
19 P.L.1961, c.49 (C.52:14-17.29) for the particular coverage which such  
20 contract provides[;] , and unless coverage is available to all eligible  
21 employees and their dependents on the basis specified by section 7 of  
22 P.L.1961, c.49 (C.52:14-17.31), except that [a State employee  
23 enrolled in the program on or after July 1, 2003 may not be eligible for  
24 coverage under the traditional plan as defined in section 2 of P.L.1961,  
25 c.49 (C.52:14-17.26)] for State employees enrolled in the program.  
26 coverage under any plan may be limited or discontinued pursuant to a  
27 binding collective negotiations agreement or pursuant to the  
28 application by the commission, in its sole discretion, of the terms of  
29 any collective negotiations agreement binding on the State to State  
30 employees for whom there is no majority representative for collective  
31 negotiations purposes.

32 (cf: P.L.2003, c.119, s.1)

33  
34 2. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read  
35 as follows:

36 8. a. The basic coverage and the major medical coverage of any  
37 employee, and the employee's dependents, if any, shall cease upon the  
38 discontinuance of the term of office or employment or upon cessation  
39 of active full-time employment subject to such regulations as may be  
40 prescribed by the commission for limited continuance of basic  
41 coverage and major medical coverage during disability, part-time  
42 employment, leave of absence or lay off, and for continuance of basic  
43 coverage and major medical coverage after retirement, any such

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

**Matter underlined thus is new matter.**

1 continuance after retirement to be provided at such rates and under  
2 such conditions as shall be prescribed by the commission, subject,  
3 however, to the requirements hereinafter set forth in this section.  
4 Notwithstanding the provisions of any law to the contrary, for State  
5 employees who retire after July 1, 2005, the coverage options  
6 available to such employees in retirement shall be limited to those  
7 options that were available to the employee on the employee's last day  
8 of employment. The commission may also establish regulations  
9 prescribing an extension of coverage when an employee or dependent  
10 is totally disabled at termination of coverage.

11 b. Rates payable by retired employees for themselves and their  
12 dependents, by active employees for dependents covered by medicare  
13 benefits, and by the State or other employer for an active employee  
14 alone covered by medicare benefits, shall be determined on the basis  
15 of utilization experience according to classifications determined by the  
16 commission, provided, however, that the total rate payable by such  
17 retired employee for the employee and the employee's dependents, or  
18 by such active employee for the employee's dependents and the State  
19 or other employer for such active employee alone, for coverage  
20 hereunder and for Part B of medicare, shall not exceed by more than  
21 25%, as determined by the commission, the total amount which would  
22 have been required to have been paid by the employee and by the State  
23 or other employer for the coverage maintained had the employee  
24 continued in office or active employment and the employee and the  
25 employee's dependents were not eligible for medicare benefits.  
26 "Medicare" as used in this act means the coverage provided under  
27 Title XVIII of the Social Security Act as amended in 1965, or its  
28 successor plan or plans.

29 c. (1) From funds appropriated therefor, the State shall pay the  
30 premium or periodic charges for the benefits provided to a retired  
31 State employee and the employee's dependents covered under the  
32 program, but not including survivors, if such employee retired from  
33 one or more State or locally-administered retirement systems on a  
34 benefit or benefits based in the aggregate on 25 years or more of  
35 nonconcurrent service credited in the retirement systems, excepting the  
36 employee who elected deferred retirement, but including the employee  
37 who retired on a disability pension based on fewer years of service  
38 credited in the retirement systems and shall also reimburse such retired  
39 employee for the premium charges under Part B of the federal  
40 medicare program covering the retired employee and the employee's  
41 spouse. In the case of full-time employees of the Rutgers University  
42 Cooperative Extension Service, service credited in the federal Civil  
43 Service Retirement System (5 U.S.C.s.8331 et seq.) which was earned  
44 as a result of full-time employment at Rutgers University, may be  
45 considered alone or in combination with service credited in one or  
46 more State or locally-administered retirement systems for the purposes

1 of establishing the minimum 25-year service requirement to qualify for  
2 the benefits provided in this section. Any full-time employee of the  
3 Rutgers University Cooperative Extension Service who meets the  
4 eligibility requirements set forth in this amendatory act shall be eligible  
5 for the benefits provided in this section, provided that at the time of  
6 retirement such employee was covered by the State Health Benefits  
7 Program and elected to continue such coverage into retirement.

8 (2) Notwithstanding the provisions of this section to the contrary,  
9 from funds appropriated therefor, the State shall pay the premium or  
10 periodic charges for the benefits provided to a retired State employee  
11 and the employee's dependents covered under the program, but not  
12 including survivors, if: (a) the employee retires on or after the effective  
13 date of this 1987 amendatory act; (b) the employee was employed by  
14 Rutgers University prior to January 2, 1955 and remained in  
15 continuous service with Rutgers University until retirement even  
16 though the employee (i) did not join a State-administered retirement  
17 system, or, (ii) became a member of a State-administered retirement  
18 system, but accumulated less than 25 years of credited service; and (c)  
19 the employee is covered by the program at the time of retirement.

20 (3) Notwithstanding the provisions of this section to the contrary,  
21 in the case of an employee of a State college, as described in chapter  
22 64 of Title 18A of the New Jersey Statutes, or of a county college, as  
23 defined in N.J.S.18A:64A-1, service credited in a private defined  
24 contribution retirement plan which was earned as an employee of an  
25 auxiliary organization, as defined in section 2 of P.L.1982, c.16  
26 (C.18A:64-27), at a State or county college shall be considered in  
27 combination with service credited in a State-administered retirement  
28 system for the purposes of establishing the minimum 25-year service  
29 requirement to qualify for the benefits provided in this section,  
30 provided that the employee is covered by the program at the time of  
31 retirement.

32 (4) Notwithstanding the provisions of this section to the contrary,  
33 from funds appropriated therefor, the State shall pay the premium or  
34 periodic charges for the benefits provided to a retired State employee  
35 and any dependents covered under the program, but not including  
36 survivors, if the employee: (a) retired prior to the effective date of this  
37 act, P.L.1997, c.335 (C.52:14-17.32), under the State Police  
38 Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1  
39 et seq.), with more than 20 but less than 25 years of service credit in  
40 the retirement system; (b) was subsequently employed by the State in  
41 another position or positions not covered by the State Police  
42 Retirement System; (c) has, in the aggregate, at least 30 years of  
43 full-time employment with the State; and (d) is covered by the  
44 program at the time of terminating full-time employment with the  
45 State.

46 (cf: P.L.2001, c.209, s.2)

1       3. This act shall take effect immediately.

2

3

4

STATEMENT

5

6       This bill amends N.J.S.A.52:14-17.28 to modify the benefits of  
7 State employees under the New Jersey State Health Benefits Program  
8 (SHBP). The bill provides that the coverage under any plan provided  
9 to State employees enrolled in the SHBP may be limited or  
10 discontinued pursuant to a binding collective negotiations agreement  
11 or pursuant to the application by the State Health Benefits  
12 Commission, in its sole discretion, of the terms of any collective  
13 negotiations agreement binding on the State to non-aligned State  
14 employees. This bill deletes language that was added in 2003 to  
15 provide that a State employee enrolled in SHBP on or after July 1,  
16 2003 may not be eligible for coverage in the traditional plan pursuant  
17 to a binding collective negotiations agreement or pursuant to the  
18 application by the State Health Benefits Commission, in its sole  
19 discretion, of the terms of any collective negotiations agreement  
20 binding on the State to non-aligned State employees. The general  
21 nature of the new language will essentially supersede the specific  
22 language of the 2003 change.

23       In addition, the bill amends N.J.S.A.52:14-17.32 to require that, for  
24 State employees who retire after July 1, 2005, the coverage options  
25 available to such employees in retirement will be limited to those  
26 options that were available to the employee on the employee's last day  
27 of employment.

# ASSEMBLY STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 4048**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: DECEMBER 8, 2005

The Assembly State Government Committee reports favorably and with committee amendments Assembly, No. 4048.

As amended, this bill provides, under N.J.S.A. 52:14-17.28, that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, the bill amends N.J.S.A. 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

Assembly, No. 4048(1R) is the same as Senate, No. 2471(1R) of 2005.

#### COMMITTEE AMENDMENTS

The committee amended the bill to (1) remove eligibility for coverage under the SHBP traditional indemnity health insurance plan from all law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and (2) limit SHBP coverage options for those same State law enforcement officer retirees and nonaligned members of the Division of State Police retirees, who retire after July 1, 2005, to the options available to them on the last day of employment.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

### ASSEMBLY, No. 4048

# STATE OF NEW JERSEY

DATED: JANUARY 5, 2006

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4048 (1R).

Assembly Bill No. 4048 (1R) provides, under N.J.S.A.52:14-17.28, that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, the bill amends N.J.S.A 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

As reported, Assembly Bill No. 4048 (1R) is identical to Senate Bill No. 2471 (1R), as also reported by the committee.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) has estimated that the State will save \$3.5 million in FY 2006 due to the provisions of this legislation. The OLS based this saving on an estimated 1,040 members currently enrolled in the Traditional Plan electing to enroll in NJ PLUS. At present, the Traditional Plan cost the State \$9,915 per enrolled member. By contrast, the cost to the State per member enrolled in NJ PLUS is \$6,560; a difference of \$3,355 per member.



# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4048

STATE OF NEW JERSEY

211th LEGISLATURE

DATED: FEBRUARY 14, 2006

## SUMMARY

- Synopsis:** Limits coverage under State Health Benefits Program traditional health indemnity plan for State law enforcement officers; limits State Health Benefits Program coverage options for State law enforcement officer retirees and nonaligned Division of State Police retirees.
- Type of Impact:** Expenditure reduction: State General Fund.
- Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.

### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>
<b>State (Saving)</b>	(\$3,500,000)	(\$3,600,000)	(\$3,700,000)

- ! Modifies the State Health Benefits Program (SHBP) for certain State law enforcement officers and retirees on or after July 1, 2005. Limits or discontinues the traditional indemnity health insurance plan pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.
- ! For law enforcement personnel covered by the recently negotiated State contracts and assuming that members currently enrolled in the Traditional Plan will elect to enroll in NJ PLUS, the estimated cost saving associated with the closure of the Traditional Plan is \$3.5 million.
- ! The Office of Legislative Services (OLS) estimated saving in FY 2006 based on 1,040 members currently enrolled in the Traditional Plan switching to NJ PLUS.

## BILL DESCRIPTION

Assembly Bill No. 4048 (1R) of 2005 would modify the SHBP for certain State law enforcement officers and retirees. On or after July 1, 2005, health benefits coverage provided to such employees if they are enrolled in the SHBP under the traditional indemnity health

insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

The bill would limit coverage under the SHBP traditional indemnity health insurance plan for all law enforcement officers employed by the State to whom there is a majority representative for collective negotiation purposes; and limit SHBP coverage options for State law enforcement officer retirees and nonaligned members of the Division of State Police retirees to those options that were available to the employee on the employee's last day of employment.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the State will save \$3.5 million in FY 2006 due to the provisions of this legislation. The OLS based this saving on an estimated 1,040 members currently enrolled in the Traditional Plan electing to enroll in NJ PLUS. At present, the Traditional Plan cost the State \$9,915 per enrolled member. By contrast, the cost to the State per member enrolled in NJ PLUS is \$6,560; a difference of \$3,355 per member. Approximately 1,040 law enforcement officers are enrolled in the Traditional Plan. Assuming each member currently enrolled in the Traditional Plan elects to enroll in NJ PLUS, the State would save approximately \$3.5 million beginning in FY 2006.

The OLS projects savings of \$3.6 million in FY 2007 and \$3.7 million in FY 2008.

The State of New Jersey and its law enforcement bargaining units have agreed that participation in the SHBP's Traditional Plan will no longer be available to all active employees effective July 1, 2005 and to those that retire after July 1, 2005. Language to this effect has been included in the FY 2006 State Budget. However, an Attorney General opinion rendered April 12, 2005, advised that the laws governing the Traditional Plan would need to be amended in order for the agreement to be implemented on a permanent basis. The enactment of this bill is required to apply the binding collective bargaining agreement beyond the current fiscal year.

Section: *State Government*

Analyst: *James F. Vari*  
*Lead Fiscal Analyst*

Approved: *David J. Rosen*  
*Legislative Budget and Finance Officer*

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