

**52:14-17.46, et. al.**  
**LEGISLATIVE HISTORY CHECKLIST**  
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**LAWS OF:** 2007                 **CHAPTER:** 103

**NJSA:** 52:14-17.46, et. al.     (Changes PERS, TPAF and DCRP contribution rates)

**BILL NO:** A5005                 (Substituted for S3004)

**SPONSOR(S):** Roberts and others

**DATE INTRODUCED:** June 14, 2007

**COMMITTEE:**                    **ASSEMBLY:** Budget

**SENATE:**

**AMENDED DURING PASSAGE:**         Yes

**DATE OF PASSAGE:**            **ASSEMBLY:** June 21, 2007

**SENATE:** June 21, 2007

**DATE OF APPROVAL:**           June 28, 2007

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

[FINAL TEXT OF BILL](#) (First reprint enacted)

**A5005**

**[SPONSOR'S STATEMENT:](#)** (Begins on page 74 of original bill)     **[Yes](#)**

**COMMITTEE STATEMENT:**                                 **[ASSEMBLY:](#)**                    **[Yes](#)**

**SENATE:**   **No**

**FLOOR AMENDMENT STATEMENT:**                                 **No**

**[LEGISLATIVE FISCAL ESTIMATE:](#)**                                 **[Yes](#)**

**S3004**

**[SPONSOR'S STATEMENT:](#)** (Begins on page 74 of original bill)     **[Yes](#)**

**COMMITTEE STATEMENT:**                                 **ASSEMBLY:**                    **No**

**SENATE:**   **[Yes](#)**

**FLOOR AMENDMENT STATEMENT:**                                 **No**

**[LEGISLATIVE FISCAL ESTIMATE:](#)**                                 **[Yes](#)**

**VETO MESSAGE:**   **No**

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**[NEW JERSEY LEGISLATURE NEWS RELEASE](#)**                                 **[Yes](#)**     **[6-6-06](#)**

**FOLLOWING WERE PRINTED:**

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**REPORTS:** Yes  
**HEARINGS:** No  
**NEWSPAPER ARTICLES:** Yes

"Unions get relief on health care fee," The Star-Ledger, 6-29-07, p. 25  
"New law targets the newly retired," Asbury Park Press, 6-29-07, p.A3  
"Taxpayers subsidize state workers again," The Trentonian, 6-29-07, p.18

#### **FINAL REPORT**

974.90 [New Jersey Legislature Joint Legislative Committee on Public Employee Pension Reform.](#)  
P418 Final Report. December 1, 2006.  
2006z/b

#### **ANCILLARY REPORTS REGARDING JOINT LEGISLATIVE COMMITTEE ON PUBLIC EMPLOYEE BENEFITS REFORM:**

-List of New Jersey State Library catalog entries for New Jersey Document call number 974.90, P418, 2006a-z/a attached.

974.90 [New Jersey Legislature. Joint Legislative Committee on Public Employee Benefits Reform.](#) Presentation by

P418 Frederick J. Beaver, Director of NJ Division of Pensions and Benefits, August 9, 2006, Trenton, NJ  
2006

974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform.](#) Presentation on  
P418 legal issues related to changes in pension benefits by the Office of Legislative Services, August 23, 2006  
2006a Trenton, NJ

974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform.](#) Presentation  
P418 from Frederick J. Beaver, Director of NJ Division of Pensions and Benefits and H. Charles Wedel, Chief  
2006b Financial Officer and Treasurer, NJ Transit Corporation, August 31, 2006, Trenton, NJ

974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform.](#) Presentation by  
P418 Frederick J. Beaver, Director of NJ Division of Pensions and Benefits, August 24, 2006, Trenton NJ  
2006c

974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform.](#) Presentation by  
P418 Frederick J. Beaver, Director of NJ Division of Pension and Benefits, to discuss the State Health Benefits  
2006d Program for state and local government participants, September 13, 2006, Trenton, NJ

974.90 [New Jersey. Office of Legislative Services.](#) Background report: public employees' retirement system,  
P418 prepared January 2005  
2006e

974.90 [New Jersey. Treasury Dept.. Summary of actuarially determined pension contributions](#)  
P418  
2006f

974.90 [New Jersey. Treasury Dept.. New Jersey state-administered retirement systems:](#) GASB 25  
P418 and 27 schedule of funding progress  
2006g

- 974.90 [New Jersey. Treasury Dept., Projected state pension contribution amounts FY 2007-FY 2008](#)  
P418  
2006h
- 974.90 [New Jersey. Office of Legislative Services. State health benefits program: the basics](#)  
P418 July 2006  
2006i
- 974.90 [New Jersey. Office of Legislative Services. Background paper: other post employment benefits](#)  
P418  
2006j
- 974.90 [New Jersey. Office of Legislative Services. Funding New Jersey public employee retirement systems.](#)  
P418 July 2006  
2006k
- 974.90 [New Jersey. Division of Pensions and Benefits. Written responses to questions that were raised before](#)  
P418 the Joint Legislative Committee on Public Employee Benefits Reform hearing on August 9, 2006  
2006l
- 974.90 [New Jersey. Division of Pensions and Benefits. Written responses to questions that were raised before](#)  
P418 the Joint Legislative Committee on Public Employee Benefits Reform hearing on August 24, 2006  
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- 974.90 [New Jersey. Division of Pensions and Benefits. Written responses to questions that were raised before](#)  
P418 the Joint Legislative Committee on Public Employee Benefits Reform hearing on August 31, 2006  
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- 974.90 [Beaver, Frederick J., Presentation to Joint Legislative Committee on Public Employee Benefits Reform](#)  
P418 August 9, 2006  
2006o
- 974.90 [Beaver, Frederick J., State of the state pension systems, August 24, 2006](#)  
P418  
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- 974.90 [Beaver, Frederick J., New Jersey Alternate Benefit Program: overview for the Joint Legislative Committee](#)  
P418 on Public Employee Benefits Reform, August 31, 2006  
2006q
- 974.90 [Reimert, William A., Employee Benefits Reform, Presentation to Joint Legislative Committee on Public](#)  
P418 Employee Benefits Reform, August 31, 2006  
2006r
- 974.90 [Wedel, H. Charles, New Jersey Transit: transition from defined benefit pension plans to defined contribution](#)  
P418 pension plans  
2006s
- 974.90 [Beaver, Frederick J., New Jersey State Health Benefits Program. Joint Committee on Public Employee](#)  
P418 Benefits Reform, September 13, 2006  
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- 974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform: testimony](#)  
P418 from the public on pensions and health benefits provided to state, county, municipal, or school district  
2006u employees, September 19, 2006, Clifton, NJ
- 974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform: testimony from](#)  
P418 Philip D. Murphy, chairman of the Governor's Benefits Review Task Force, October 25, 2006, Trenton, NJ  
2006v

- 974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform: testimony from](#)  
P418 the public on pensions and health benefits provided to state, county, municipal, or school district employees,  
2006w October 18, 2006, Sewell, NJ
- 974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform;](#)  
P418 Committee meeting to consider final report, November 27, 2006, Trenton, NJ  
2006x
- 974.90 [New Jersey. Legislature. Joint Legislative Committee on Public Employee Benefits Reform. Committee](#)  
P418 meeting: transcript of proceedings, December 7, 2006, Trenton, NJ  
2006y
- 974.90 [New Jersey. Department of the Treasury. Division of Investment. Report to the NJ Legislature pursuant to](#)  
P418 P.L. 2005, c.162 (investments in Sudan), August 4, 2006  
2006z
- 974.90 [New Jersey. Office of the Inspector General. Summary and analysis of state authorities' employee benefits](#)  
P418 October 23, 2006  
2006z/a

§§31-41 -  
C.52:14-17.46.1  
to 52:14-17.46.11  
§48 –  
C.52:14-17.32a1  
§49 –  
C.52:14-17.46a  
§52 - Note to  
§§1-51

P.L. 2007, CHAPTER 103, *approved June 28, 2007*  
Assembly, No. 5005 (*First Reprint*)

1 AN ACT concerning the Public Employees' Retirement System of  
2 New Jersey, the Teachers' Pension and Annuity Fund, the  
3 Defined Contribution Retirement Program, '[and]'<sup>1</sup> the State  
4 Health Benefits Program <sup>1</sup>, and the State Investment Council<sup>1</sup>,  
5 revising various parts of the statutory law and supplementing  
6 P.L.1961, c.49 (C.52:14-17.25 et seq.).  
7

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

10

11 1. N.J.S.18A:66-29 is amended to read as follows:

12 18A:66-29. Members enrolled in the retirement system on or  
13 after July 1, 1994 shall contribute 5% of compensation to the  
14 system. Members enrolled in the system prior to July 1, 1994 shall  
15 contribute 5% of compensation to the system effective with the  
16 payroll period for which the beginning date is closest to July 1,  
17 1995, provided, however, that any member enrolled before July 1,  
18 1994, whose full contribution rate under the system prior to the  
19 revisions by this act was less than 6%, shall pay 4% of  
20 compensation to the system effective with the payroll period for  
21 which the beginning date is closest to July 1, 1995, and 5% of  
22 compensation to the system effective with the payroll period for  
23 which the beginning date is closest to July 1, 1996.

24 Members enrolled in the retirement system on or after July 1,  
25 2007 shall contribute 5.5% of compensation to the system.  
26 Members enrolled in the system prior to July 1, 2007 shall  
27 contribute 5.5% of compensation to the system effective with the  
28 payroll period for which the beginning date is closest to July 1,  
29 2007.

30 (cf: P.L.1994, c.62, s.4)

31

32 2. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to  
33 read as follows:

34 25. a.<sup>1</sup> The annuity savings fund shall be the fund in which

**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>Assembly ABU committee amendments adopted June 18, 2007.

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

8 'b. (1)' Members enrolled in the retirement system on or after  
9 July 1, 1994 shall contribute 5% of compensation to the system.  
10 Members enrolled in the system prior to July 1, 1994 shall  
11 contribute 5% of compensation to the system effective with the  
12 payroll period for which the beginning date is closest to July 1,  
13 1995, provided, however, that any member enrolled before July 1,  
14 1994, whose full contribution rate under the system prior to the  
15 revisions by this act was less than 6%, shall pay 4% of  
16 compensation to the system effective with the payroll period for  
17 which the beginning date is closest to July 1, 1995, and 5% of  
18 compensation to the system effective with the payroll period for  
19 which the beginning date is closest to July 1, 1996.

20 '(2)' Members enrolled in the retirement system on or after July  
21 1, 2007 'who are:

22 employees of the State, other than employees of the Judicial  
23 Branch;

24 employees of an independent State authority, board, commission,  
25 corporation, agency or organization;

26 employees of a local school district, regional school district,  
27 county vocational school district, county special services school  
28 district, jointure commission, educational services commission,  
29 State-operated school district, charter school, county college, any  
30 officer, board, or commission under the authority of the  
31 Commissioner of Education or of the State Board of Education, and  
32 any other public entity which is established pursuant to authority  
33 provided by Title 18A of the New Jersey Statutes; or

34 employees of a State public institution of higher education, other  
35 than employees of the University of Medicine and Dentistry of New  
36 Jersey'

37 shall contribute 5.5% of compensation to the system' [. Members] ,  
38 and all such members described above' enrolled in the system prior  
39 to July 1, 2007 shall contribute 5.5% of compensation to the system  
40 effective with the payroll period for which the beginning date is  
41 closest to July 1, 2007.

42 'Members enrolled in the retirement system on or after July 1,  
43 2008, other than those described in the paragraph above, shall  
44 contribute 5.5% of compensation to the system. Members enrolled  
45 in the system prior to July 1, 2008, other than those described in the  
46 paragraph above, shall contribute 5.5% of compensation to the

1 system effective with the payroll period that begins immediately  
2 after July 1, 2008.

3 c. <sup>1</sup> The retirement system shall certify to each State department  
4 or subdivision thereof, and to each branch of the State service not  
5 included in a State department, and to every other employer, the  
6 proportion of each member's compensation to be deducted and to  
7 facilitate the making of deductions the retirement system may  
8 modify the deduction required by a member by such an amount as  
9 shall not exceed 1/10 of 1% of the compensation upon the basis of  
10 which the deduction is to be made.

11 If payment in full, representing the monthly or biweekly  
12 transmittal and report of salary deductions, is not made within 15  
13 days of the due date established by the retirement system, interest at  
14 the rate of 6% per annum shall commence to run against the total  
15 transmittal of salary deductions for the period on the first day after  
16 such fifteenth day.

17 d. <sup>1</sup> Every employee to whom this act applies shall be deemed  
18 to consent and agree to any deduction from his compensation  
19 required by this act and to all other provisions of this act.  
20 Notwithstanding any other law, rule or regulation affecting the  
21 salary, pay, compensation, other perquisites, or tenure of a person to  
22 whom this act applies, or shall apply, and notwithstanding that the  
23 minimum salary, pay, or compensation or other perquisites provided  
24 by law for him shall be reduced thereby, payment, less such  
25 deductions, shall be a full and complete discharge and acquittance  
26 of all claims and demands for service rendered by him during the  
27 period covered by such payment.

28 (cf: P.L.1994, c.62, s.9)

29

30 3. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to  
31 read as follows:

32 2. Notwithstanding the provisions of P.L.1954, c. 84, s. 25 (C.  
33 43:15A-25), (a) a separate account shall be established in the  
34 annuity savings fund for each member of the Legislature and all  
35 contributions based on legislative salaries shall be credited to this  
36 account as distinguished from any other account that the legislator  
37 may have as a result of other public service covered by the  
38 retirement system; and (b) the member of the Legislature shall  
39 contribute at a rate equal to 5% of his legislative salary, which  
40 contribution shall be deducted from his salary at the time or times it  
41 is paid, and which shall be exclusive of any other contribution  
42 required of the member for Social Security, contributory death  
43 benefits or deductions for any other purpose. The contribution rate  
44 shall be 5.5% of the member's legislative salary beginning July 1,  
45 2007.

46 A member of the Legislature who is enrolled on the basis of  
47 other public service before, during, or after his service as a member  
48 of the Legislature shall contribute for such other service at the rate

1 of contribution required of other members as provided by section  
2 25.

3 (cf: P.L.1972, c.167, s.2)

4

5 4. Section 3 of P.L.1972, c.167 (C.43:15A-137) is amended to  
6 read as follows:

7 3. Notwithstanding any other law regarding the purchase of  
8 service credit in the retirement system, a member of the Legislature  
9 may purchase credit for all previous legislative service by paying  
10 into the annuity savings fund 5%, and 5.5% after July 1, 2007, of  
11 the salaries he received in such prior periods, in which event he  
12 shall agree to make such purchase within 1 year after the effective  
13 date of this supplementary act or during the first year of  
14 membership as a member of the Legislature; if the request for the  
15 purchase is received beyond the 1-year period, interest shall be  
16 added to the amount of the arrearage obligation at the regular  
17 interest rate. The purchase of such credit may be by lump sum or in  
18 regular installments over a maximum period of 10 years.

19 In the case of any member of the Legislature coming under the  
20 provisions of this section, full pension credit for the period of  
21 service for which arrears are being paid by the member shall be  
22 given upon the payment of at least 1/2 of the total arrearage  
23 obligation and the completion of 1 year of membership and the  
24 making of such arrears payments, except that in the case of  
25 retirement pursuant to P.L.1954, c. 84, sections 38, 41(b), 48 and 61  
26 and to the provisions of this supplementary act, the total  
27 membership credit for such service shall be in direct proportion as  
28 the amount paid bears to the total amount of the arrearage  
29 obligation of the member.

30 The contributions of all members of the Legislature related to  
31 their legislative service shall be adjusted for all years prior to the  
32 effective date of this supplementary act to determine either an  
33 overpayment or shortage in the separate account, requiring the  
34 payment of contributions at the percentage of salary provided for in  
35 this section. Overpayments shall be refunded and shortages shall be  
36 established as arrearage obligations to be satisfied in the same  
37 manner as any other arrearage obligation established pursuant to  
38 this section.

39 No member shall receive credit for any legislative service for  
40 which he has not contributed as required by this section.

41 (cf: P.L.1972, c.167, s.3)

42

43 5. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to  
44 read as follows:

45 3. a. Notwithstanding the provisions of section 25 of P.L.1954,  
46 c.84 (C.43:15A-25) to the contrary, a separate account shall be  
47 established in the annuity savings fund for each workers  
48 compensation judge and all contributions based on the judge's



1 salary shall be credited to this account. This account shall be  
2 separate from any other account that the member may have as a  
3 result of other public service covered by the retirement system.

4 b. A workers compensation judge shall contribute at a rate  
5 equal to 5% of the judge's salary, which contribution shall be  
6 deducted from the salary at the time or times it is paid, and which  
7 shall be exclusive of any other contribution required of the member  
8 for Social Security, contributory death benefits or deductions for  
9 any other purpose. The contribution rate shall be 5.5% of the  
10 judge's salary effective with the payroll period for which the  
11 beginning date is closest to July 1, 2007.

12 c. A workers compensation judge who is enrolled on the basis  
13 of other public service before, during, or after service as a judge of  
14 compensation shall contribute for such other service at the rate of  
15 contribution required of other members as provided by section 25.  
16 (cf: P.L.2001, c.259, s.3)

17

18 6. Section 3 of P.L.2007, c.92 (C.43:15C-3) is amended to read  
19 as follows:

20 3. a. The employer shall reduce the compensation of each  
21 participant in the Defined Contribution Retirement Program and pay  
22 over to the plan provider for the benefit of the participant an  
23 employee contribution for the retirement benefit contract or  
24 contracts equal to ~~【5%】~~ 5.5% of the participant's base salary. At  
25 the option and request of a participant, the employer shall reduce  
26 the compensation of the participant for additional contributions as  
27 permitted by the federal Internal Revenue Code. The intervals for  
28 reductions and payments shall be determined by the Division of  
29 Pensions and Benefits.

30 All participant contributions shall be made in accordance with  
31 section 414(h) of the federal Internal Revenue Code (26 U.S.C.  
32 s.414(h)).

33 b. The employer shall make payment of the employer  
34 contributions to the program at a rate equal to 3% of the employee's  
35 base salary, which moneys shall be paid to the designated provider  
36 for the benefit of each participant. Additionally, employers shall  
37 pay their share of the administrative costs of the program. The  
38 intervals for all payments and the allocation of administrative costs  
39 shall be determined by the Division of Pensions and Benefits  
40 including due dates and penalties for non compliance.

41 c. No employer contributions shall be vested in a participant  
42 until after the participant commences the second year of  
43 employment unless the participant, at the time of initial  
44 employment, either (1) participates in a program substantially  
45 similar to the retirement program, or (2) is a member of another  
46 State-administered pension fund or retirement system.

47 (cf: P.L.2007, c.92, s.3)

1 7. N.J.S.18A:66-37 is amended to read as follows:

2 18A:66-37. Should a member resign after having established 25  
3 years of creditable service before reaching age 60, ~~he~~ the member  
4 may elect "early retirement," provided, that such election is  
5 communicated by such member to the retirement system by filing a  
6 written application, duly attested, stating at what time subsequent to  
7 the execution and filing thereof ~~he~~ the member desires to be  
8 retired. ~~He~~ The member shall receive, in lieu of the payment  
9 provided in N.J.S.18A:66-34, an annuity which is the actuarial  
10 equivalent of ~~his~~ the member's accumulated deductions and a  
11 pension in the amount which, when added to the member's annuity,  
12 will provide a total retirement allowance of 1/64 of ~~his~~ the  
13 member's final compensation for each year of service credited as  
14 class A service and 1/55 of ~~his~~ the member's final compensation  
15 for each year of service credited as class B service, calculated in  
16 accordance with N.J.S.18A:66-44, reduced:

17 (a) by 1/4 of 1% for each month that the member lacks of being  
18 age 55; or

19 (b) for a person who becomes a member of the retirement system  
20 on or after July 1, 2007, by 1/4 of 1% for each month that the  
21 member lacks of being age 55 and by 1/12 of 1% for each month  
22 that the member lacks of being age 60 but over age 55; provided,  
23 however, that upon the receipt of proper proofs of the death of such  
24 a member there shall be paid to ~~his~~ the member's beneficiary an  
25 amount equal to 3/16 of the compensation upon which contributions  
26 by the member to the annuity savings fund were based in the last  
27 year of creditable service or in the year of the member's highest  
28 contractual salary, whichever is higher.

29 Subparagraph (b) of this section shall not apply to a person who  
30 at the time of enrollment in the retirement system on or after July 1,  
31 2007 transfers service credit from another State-administered  
32 retirement system pursuant to N.J.S.18A:66-15.1, but shall apply to  
33 a former member of the retirement system who has been granted a  
34 retirement allowance and is reenrolled in the retirement system on  
35 or after July 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming  
36 employed again in a position that makes the person eligible to be a  
37 member of the retirement system.

38 The board of trustees shall retire him at the time specified or at  
39 such other time within one month after the date so specified as the  
40 board finds advisable.

41 (cf: P.L.2001, c.133, s.5)

42  
43 8. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to  
44 read as follows:

45 41. a. A member who withdraws from service or ceases to be an  
46 employee for any cause other than death or retirement shall, upon  
47 the filing of an application therefor, receive all of his accumulated

1 deductions standing to the credit of his individual account in the  
2 annuity savings fund, plus regular interest, less any outstanding  
3 loan, except that for any period after June 30, 1944, the interest  
4 payable shall be such proportion of the interest determined at the  
5 regular rate of 2% per annum bears to the regular rate of interest,  
6 and except that no interest shall be payable in the case of a member  
7 who has less than three years of membership credit for which he has  
8 made contributions. He shall cease to be a member two years from  
9 the date he discontinued service as an eligible employee, or, if prior  
10 thereto, upon payment to him of his accumulated deductions. If any  
11 such person or member shall die before withdrawing or before  
12 endorsing the check constituting the return of his accumulated  
13 deductions, such deductions shall be paid to the member's  
14 beneficiary. No member shall be entitled to withdraw the amounts  
15 contributed by his employer covering his military leave unless he  
16 shall have returned to the payroll and contributed to the retirement  
17 system for a period of 90 days.

18 b. Should a member resign after having established 25 years of  
19 creditable service before reaching age 60, he may elect "early  
20 retirement," provided, that such election is communicated by such  
21 member to the retirement system by filing a written application,  
22 duly attested, stating at what time subsequent to the execution and  
23 filing thereof he desires to be retired. He shall receive, in lieu of  
24 the payment provided in subsection a. of this section, an annuity  
25 which is the actuarial equivalent of his accumulated deductions  
26 together with regular interest, and a pension in the amount which,  
27 when added to the member's annuity, will provide a total retirement  
28 allowance of 1/64 of his final compensation for each year of service  
29 credited as Class A service and 1/55 of his final compensation for  
30 each year of service credited as Class B service, calculated in  
31 accordance with section 48 (C. 43:15A-48) of this act, reduced:

32 (a) by 1/4 of 1% for each month that the member lacks of being  
33 age 55; or

34 (b) for a person who becomes a member of the retirement system  
35 on or after July 1, 2007, by 1/4 of 1% for each month that the  
36 member lacks of being age 55 and by 1/12 of 1% for each month  
37 that the member lacks of being age 60 but over age 55; provided,  
38 however, that upon the receipt of proper proofs of the death of such  
39 a member there shall be paid to his beneficiary an amount equal to  
40 three-sixteenths of the compensation upon which contributions by  
41 the member to the annuity savings fund were based in the last year  
42 of creditable service.

43 Paragraph (b) of this subsection shall not apply to a person who  
44 at the time of enrollment in the retirement system on or after July 1,  
45 2007 transfers service credit from another State-administered  
46 retirement system pursuant to section 14 of P.L.1954, c.84  
47 (C.43:15A-14), but shall apply to a former member of the  
48 retirement system who has been granted a retirement allowance and

1 is reenrolled in the retirement system on or after July 1, 2007  
2 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after  
3 becoming employed again in a position that makes the person  
4 eligible to be a member of the retirement system.

5 The board of trustees shall retire him at the time specified or at  
6 such other time within one month after the date so specified as the  
7 board finds advisable.

8 c. Upon the receipt of proper proofs of the death of a member  
9 in service on account of which no accidental death benefit is  
10 payable under section 49 there shall be paid to such member's  
11 beneficiary:

12 (1) The member's accumulated deductions at the time of death  
13 together with regular interest; and

14 (2) An amount equal to one and one-half times the  
15 compensation upon which contributions by the member to the  
16 annuity savings fund were based in the last year of creditable  
17 service.

18 (cf: P.L.2001, c.133, s.12)

19

20 9. N.J.S.18A:66-2 is amended to read as follows:

21 18A:66-2. As used in this article:

22 a. "Accumulated deductions" means the sum of all the  
23 amounts, deducted from the compensation of a member or  
24 contributed by or in behalf of the member, including interest  
25 credited to January 1, 1956, standing to the credit of the member's  
26 individual account in the annuity savings fund.

27 b. "Annuity" means payments for life derived from the  
28 accumulated deductions of a member as provided in this article.

29 c. "Beneficiary" means any person receiving a retirement  
30 allowance or other benefit as provided in this article.

31 d. (1) "Compensation" means the contractual salary, for  
32 services as a teacher as defined in this article, which is in  
33 accordance with established salary policies of the member's  
34 employer for all employees in the same position but shall not  
35 include individual salary adjustments which are granted primarily in  
36 anticipation of the member's retirement or additional remuneration  
37 for performing temporary or extracurricular duties beyond the  
38 regular school day or the regular school year.

39 (2) In the case of a person who becomes a member of the  
40 retirement system on or after July 1, 2007, "compensation" means  
41 the amount of the contractual salary equivalent to the annual  
42 maximum wage contribution base for Social Security, pursuant to  
43 the federal Insurance Contributions Act, for services as a teacher as  
44 defined in this article, which is in accordance with established  
45 salary policies of the member's employer for all employees in the  
46 same position but shall not include individual salary adjustments  
47 which are granted primarily in anticipation of the member's  
48 retirement or additional remuneration for performing temporary or

1 extracurricular duties beyond the regular school day or the regular  
2 school year. This paragraph shall not apply to a person who at the  
3 time of enrollment in the retirement system on or after July 1, 2007  
4 transfers service credit from another State-administered retirement  
5 system pursuant to N.J.S.18A:66-15.1, but shall apply to a former  
6 member of the retirement system who has been granted a retirement  
7 allowance and is reenrolled in the retirement system on or after July  
8 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming employed  
9 again in a position that makes the person eligible to be a member of  
10 the retirement system.

11 e. "Employer" means the State, the board of education or any  
12 educational institution or agency of or within the State by which a  
13 teacher is paid.

14 f. "Final compensation" means the average annual  
15 compensation for which contributions are made for the three years  
16 of creditable service in New Jersey immediately preceding the  
17 member's retirement or death, or it shall mean the average annual  
18 compensation for New Jersey service for which contributions are  
19 made during any three fiscal years of his or her membership  
20 providing the largest possible benefit to the member or the  
21 member's beneficiary.

22 g. "Fiscal year" means any year commencing with July 1, and  
23 ending with June 30, next following.

24 h. "Pension" means payments for life derived from  
25 appropriations made by the State or employers to the Teachers'  
26 Pension and Annuity Fund.

27 i. "Annuity reserve" means the present value of all payments  
28 to be made on account of any annuity or benefit in lieu of an  
29 annuity, granted under the provisions of this article, computed on  
30 the basis of such mortality tables recommended by the actuary as  
31 the board of trustees adopts, with regular interest.

32 j. "Pension reserve" means the present value of all payments to  
33 be made on account of any pension or benefit in lieu of a pension  
34 granted to a member from the Teachers' Pension and Annuity Fund,  
35 computed on the basis of such mortality tables recommended by the  
36 actuary as the board of trustees adopts, with regular interest.

37 k. "Present-entrant" means any member of the Teachers'  
38 Pension and Annuity Fund who had established status as a "present-  
39 entrant member" of said fund prior to January 1, 1956.

40 l. "Rate of contribution initially certified" means the rate of  
41 contribution certified by the retirement system in accordance with  
42 N.J.S.18A:66-29.

43 m. "Regular interest" shall mean interest as determined by the  
44 State Treasurer, after consultation with the Directors of the  
45 Divisions of Investment and Pensions, the board of trustees and the  
46 actuary. It shall bear a reasonable relationship to the percentage  
47 rate of earnings on investments based on the market value of assets  
48 but shall not exceed the assumed percentage rate of increase applied

1 to salaries plus 3%, provided however that the board of trustees  
2 shall not set the average percentage rate of increase applied to  
3 salaries below 6%.

4 n. "Retirement allowance" means the pension plus the annuity.

5 o. "School service" means any service as a "teacher" as defined  
6 in this section.

7 p. "Teacher" means any regular teacher, special teacher,  
8 helping teacher, teacher clerk, principal, vice-principal, supervisor,  
9 supervising principal, director, superintendent, city superintendent,  
10 assistant city superintendent, county superintendent, State  
11 Commissioner or Assistant Commissioner of Education, members  
12 of the State Department of Education who are certificated,  
13 unclassified professional staff and other members of the teaching or  
14 professional staff of any class, public school, high school, normal  
15 school, model school, training school, vocational school, truant  
16 reformatory school, or parental school, and of any and all classes or  
17 schools within the State conducted under the order and  
18 superintendence, and wholly or partly at the expense of the State  
19 Board of Education, of a duly elected or appointed board of  
20 education, board of school directors, or board of trustees of the  
21 State or of any school district or normal school district thereof, and  
22 any persons under contract or engagement to perform one or more  
23 of these functions. It shall also mean any person who serves, while  
24 on an approved leave of absence from regular duties as a teacher, as  
25 an officer of a local, county or State labor organization which  
26 represents, or is affiliated with an organization which represents,  
27 teachers as defined in this subsection. No person shall be deemed a  
28 teacher within the meaning of this article who is a substitute  
29 teacher. In all cases of doubt the board of trustees shall determine  
30 whether any person is a teacher as defined in this article.

31 q. "Teachers' Pension and Annuity Fund," hereinafter referred  
32 to as the "retirement system" or "system," is the corporate name of  
33 the arrangement for the payment of retirement allowances and other  
34 benefits under the provisions of this article, including the several  
35 funds placed under said system. By that name all its business shall  
36 be transacted, its funds invested, warrants for money drawn, and  
37 payments made and all of its cash and securities and other property  
38 held.

39 r. "Veteran" means any honorably discharged officer, soldier,  
40 sailor, airman, marine or nurse who served in any Army, Air Force  
41 or Navy of the Allies of the United States in World War I between  
42 July 14, 1914, and November 11, 1918, or who served in any Army,  
43 Air Force or Navy of the Allies of the United States in World War  
44 II, between September 1, 1939, and September 2, 1945, and who  
45 was inducted into such service through voluntary enlistment, and  
46 was a citizen of the United States at the time of such enlistment, and  
47 who did not, during or by reason of such service, renounce or lose  
48 United States citizenship, and any officer, soldier, sailor, marine,

1 airman, nurse or army field clerk who has served in the active  
2 military or naval service of the United States and has or shall be  
3 discharged or released therefrom under conditions other than  
4 dishonorable, in any of the following wars, uprisings, insurrections,  
5 expeditions or emergencies, and who has presented to the retirement  
6 system evidence of such record of service in form and content  
7 satisfactory to said retirement system:

8 (1) The Indian wars and uprisings during any of the periods  
9 recognized by the War Department of the United States as periods  
10 of active hostility;

11 (2) The Spanish-American War between April 20, 1898, and  
12 April 11, 1899;

13 (3) The Philippine insurrections and expeditions during the  
14 periods recognized by the War Department of the United States as  
15 of active hostility from February 4, 1899, to the end of 1913;

16 (4) The Peking relief expedition between June 20, 1900, and  
17 May 27, 1902;

18 (5) The army of Cuban occupation between July 18, 1898, and  
19 May 20, 1902;

20 (6) The army of Cuban pacification between October 6, 1906,  
21 and April 1, 1909;

22 (7) The Mexican punitive expedition between March 14, 1916,  
23 and February 7, 1917;

24 (8) The Mexican border patrol, having actually participated in  
25 engagements against Mexicans between April 12, 1911, and June  
26 16, 1919;

27 (9) World War I, between April 6, 1917, and November 11,  
28 1918;

29 (10) World War II, between September 16, 1940, and December  
30 31, 1946, who shall have served at least 90 days in such active  
31 service, exclusive of any period of assignment (1) for a course of  
32 education or training under the Army Specialized Training Program  
33 or the Navy College Training Program, which course was a  
34 continuation of a civilian course and was pursued to completion, or  
35 (2) as a cadet or midshipman at one of the service academies, any  
36 part of which 90 days was served between said dates; provided that  
37 any person receiving an actual service-incurred injury or disability  
38 shall be classed as a veteran, whether or not that person has  
39 completed the 90-day service as herein provided;

40 (11) Korean conflict on or after June 23, 1950, and on or prior to  
41 January 31, 1955, who shall have served at least 90 days in such  
42 active service, exclusive of any period of assignment (1) for a  
43 course of education or training under the Army Specialized  
44 Training Program or the Navy College Training Program, which  
45 course was a continuation of a civilian course and was pursued to  
46 completion, or (2) as a cadet or midshipman at one of the service  
47 academies, any part of which 90 days was served between said  
48 dates; provided that any person receiving an actual service-incurred

1 injury or disability shall be classed as a veteran, whether or not that  
2 person has completed the 90-day service as herein provided; and  
3 provided further that any member classed as a veteran pursuant to  
4 this subsection prior to August 1, 1966, shall continue to be classed  
5 as a veteran, whether or not that person completed the 90-day  
6 service between said dates as herein provided;

7 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
8 Lebanon or on board any ship actively engaged in patrolling the  
9 territorial waters of that nation for a period, continuous or in the  
10 aggregate, of at least 14 days commencing on or before November  
11 1, 1958 or the date of termination of that conflict, as proclaimed by  
12 the President of the United States or Congress, whichever date of  
13 termination is the latest, in such active service; provided, that any  
14 person receiving an actual service-incurred injury or disability shall  
15 be classed as a veteran whether or not that person has completed the  
16 14 days' service as herein provided;

17 (13) Vietnam conflict, on or after December 31, 1960, and on or  
18 prior to May 7, 1975, who shall have served at least 90 days in such  
19 active service, exclusive of any period of assignment (1) for a  
20 course of education or training under the Army Specialized  
21 Training Program or the Navy College Training Program, which  
22 course was a continuation of a civilian course and was pursued to  
23 completion, or (2) as a cadet or midshipman at one of the service  
24 academies, any part of which 90 days was served between said  
25 dates; and exclusive of any service performed pursuant to the  
26 provisions of section 511(d) of Title 10, United States Code,  
27 pursuant to an enlistment in the Army National Guard or as a  
28 reserve for service in the Army Reserve, Naval Reserve, Air Force  
29 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided  
30 that any person receiving an actual service-incurred injury or  
31 disability shall be classed as a veteran, whether or not that person  
32 has completed the 90-day service as herein provided;

33 (14) Lebanon peacekeeping mission, on or after September 26,  
34 1982, who has served in Lebanon or on board any ship actively  
35 engaged in patrolling the territorial waters of that nation for a  
36 period, continuous or in the aggregate, of at least 14 days  
37 commencing on or before December 1, 1987 or the date of  
38 termination of that mission, as proclaimed by the President of the  
39 United States or Congress, whichever date of termination is the  
40 latest, in such active service; provided, that any person receiving an  
41 actual service-incurred injury or disability shall be classed as a  
42 veteran whether or not that person has completed the 14 days'  
43 service as herein provided;

44 (15) Grenada peacekeeping mission, on or after October 23,  
45 1983, who has served in Grenada or on board any ship actively  
46 engaged in patrolling the territorial waters of that nation for a  
47 period, continuous or in the aggregate, of at least 14 days  
48 commencing on or before November 21, 1983 or the date of



1 termination of that mission, as proclaimed by the President of the  
2 United States or Congress, whichever date of termination is the  
3 latest, in such active service; provided, that any person receiving an  
4 actual service-incurred injury or disability shall be classed as a  
5 veteran whether or not that person has completed the 14 days'  
6 service as herein provided;

7 (16) Panama peacekeeping mission, on or after December 20,  
8 1989 or the date of inception of that mission, as proclaimed by the  
9 President of the United States or Congress, whichever date of  
10 inception is earliest, who has served in Panama or on board any ship  
11 actively engaged in patrolling the territorial waters of that nation for  
12 a period, continuous or in the aggregate, of at least 14 days  
13 commencing on or before January 31, 1990 or the date of  
14 termination of that mission, as proclaimed by the President of the  
15 United States or Congress, whichever date of termination is the  
16 latest, in such active service; provided, that any person receiving an  
17 actual service-incurred injury or disability shall be classed as a  
18 veteran whether or not that person has completed the 14 days'  
19 service as herein provided;

20 (17) Operation "Desert Shield/Desert Storm" mission in the  
21 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
22 or the date of inception of that operation, as proclaimed by the  
23 President of the United States or Congress, whichever date of  
24 inception is earliest, who has served in the Arabian peninsula or on  
25 board any ship actively engaged in patrolling the Persian Gulf for a  
26 period, continuous or in the aggregate, of at least 14 days  
27 commencing on or before the date of termination of that mission, as  
28 proclaimed by the President of the United States or Congress,  
29 whichever date of termination is the latest, in such active service;  
30 provided, that any person receiving an actual service-incurred injury  
31 or disability shall be classed as a veteran whether or not that person  
32 has completed the 14 days' service as herein provided;

33 (18) Operation Northern Watch and Operation Southern Watch,  
34 on or after August 27, 1992, or the date of inception of that  
35 operation, as proclaimed by the President of the United States,  
36 Congress or United States Secretary of Defense, whichever date of  
37 inception is earliest, who served in the theater of operation,  
38 including in the Arabian peninsula and the Persian Gulf, and in  
39 direct support of that operation for a period, continuously or in the  
40 aggregate, of at least 14 days in such active service, commencing on  
41 or before the date of termination of the operation, as proclaimed by  
42 the President of the United States, Congress or United States  
43 Secretary of Defense, whichever date of termination is latest;  
44 provided, that any person receiving an actual service-incurred injury  
45 or disability while engaged in such service shall be classed as a  
46 veteran whether or not that person has completed the 14 days'  
47 service as herein provided;

1 (19) Operation "Restore Hope" in Somalia, on or after December  
2 5, 1992, or the date of inception of that operation as proclaimed by  
3 the President of the United States or Congress, whichever date is  
4 earliest, who has served in Somalia or on board any ship actively  
5 engaged in patrolling the territorial waters of that nation for a  
6 period, continuously or in the aggregate, of at least 14 days in such  
7 active service commencing on or before March 31, 1994; provided  
8 that any person receiving an actual service-incurred injury or  
9 disability shall be classed as a veteran whether or not that person  
10 has completed the 14-day service as herein provided;

11 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
12 Republic of Bosnia and Herzegovina, on or after November 20,  
13 1995, who served in such active service in direct support of one or  
14 both of the operations for at least 14 days, continuously or in the  
15 aggregate, commencing on or before June 20, 1998, and (1) was  
16 deployed in that nation or in another area in the region, or (2) was  
17 on board a United States naval vessel operating in the Adriatic Sea,  
18 or (3) operated in airspace above the Republic of Bosnia and  
19 Herzegovina; provided that any person receiving an actual service-  
20 incurred injury or disability shall be classed as a veteran whether or  
21 not that person completed the 14-day service requirement;

22 (21) Operation "Enduring Freedom", on or after September 11,  
23 2001, who served in a theater of operation and in direct support of  
24 that operation for a period, continuously or in the aggregate, of at  
25 least 14 days in such active service commencing on or before the  
26 date the President of the United States or the United States  
27 Secretary of Defense designates as the termination date of that  
28 operation; provided, that any person receiving an actual service-  
29 incurred injury or disability while engaged in such service shall be  
30 classed as a veteran whether or not that person has completed the 14  
31 days' service as herein provided; and

32 (22) Operation "Iraqi Freedom", on or after the date the President  
33 of the United States or the United States Secretary of Defense  
34 designates as the inception date of that operation, who served in  
35 Iraq or in another area in the region in direct support of that  
36 operation for a period, continuously or in the aggregate, of at least  
37 14 days in such active service commencing on or before the date the  
38 President of the United States or the United States Secretary of  
39 Defense designates as the termination date of that operation;  
40 provided, that any person receiving an actual service-incurred injury  
41 or disability while engaged in such service shall be classed as a  
42 veteran whether or not that person has completed the 14 days'  
43 service as herein provided.

44 "Veteran" also means any honorably discharged member of the  
45 American Merchant Marine who served during World War II and is  
46 declared by the United States Department of Defense to be eligible  
47 for federal veterans' benefits.

1 s. "Child" means a deceased member's unmarried child either  
2 (a) under the age of 18 or (b) of any age who, at the time of the  
3 member's death, is disabled because of mental retardation or  
4 physical incapacity, is unable to do any substantial, gainful work  
5 because of the impairment and the impairment has lasted or can be  
6 expected to last for a continuous period of not less than 12 months,  
7 as affirmed by the medical board.

8 t. (1) "Widower," for employees of the State, means the man to  
9 whom a member was married, or a domestic partner as defined in  
10 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
11 the date of her death and to whom she continued to be married or a  
12 domestic partner until the date of her death and who was receiving  
13 at least one-half of his support from the member in the 12-month  
14 period immediately preceding the member's death or the accident  
15 which was the direct cause of the member's death. The dependency  
16 of such a widower will be considered terminated by marriage of, or  
17 establishment of a domestic partnership by, the widower subsequent  
18 to the death of the member. In the event of the payment of an  
19 accidental death benefit, the five-year qualification shall be waived.

20 (2) Subject to the provisions of paragraph (3) of this subsection,  
21 "widower," for employees of public employers other than the State,  
22 means the man to whom a member was married at least five years  
23 before the date of her death and to whom she continued to be  
24 married until the date of her death and who was receiving at least  
25 one-half of his support from the member in the 12-month period  
26 immediately preceding the member's death or the accident which  
27 was the direct cause of the member's death. The dependency of  
28 such a widower shall be considered terminated by marriage of the  
29 widower subsequent to the death of the member. In the event of the  
30 payment of an accidental death benefit, the five-year qualification  
31 shall be waived.

32 (3) A public employer other than the State may adopt a  
33 resolution providing that the term "widower" as defined in  
34 paragraph (2) of this subsection shall include domestic partners as  
35 provided in paragraph (1) of this subsection.

36 u. (1) "Widow," for employees of the State, means the woman to  
37 whom a member was married, or a domestic partner as defined in  
38 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
39 the date of his death and to whom he continued to be married or a  
40 domestic partner until the date of his death and who was receiving  
41 at least one-half of her support from the member in the 12-month  
42 period immediately preceding the member's death or the accident  
43 which was the direct cause of the member's death. The dependency  
44 of such a widow will be considered terminated by the marriage of,  
45 or establishment of a domestic partnership by, the widow  
46 subsequent to the member's death. In the event of the payment of an  
47 accidental death benefit, the five-year qualification shall be waived.

1 (2) Subject to the provisions of paragraph (3) of this subsection,  
2 "widow," for employees of public employers other than the State,  
3 means the woman to whom a member was married at least five  
4 years before the date of his death and to whom he continued to be  
5 married until the date of his death and who was receiving at least  
6 one-half of her support from the member in the 12-month period  
7 immediately preceding the member's death or the accident which  
8 was the direct cause of the member's death. The dependency of  
9 such a widow shall be considered terminated by the marriage of the  
10 widow subsequent to the member's death. In the event of the  
11 payment of an accidental death benefit, the five-year qualification  
12 shall be waived.

13 (3) A public employer other than the State may adopt a  
14 resolution providing that the term "widower" as defined in  
15 paragraph (2) of this subsection shall include domestic partners as  
16 provided in paragraph (1) of this subsection.

17 v. "Parent" means the parent of a member who was receiving at  
18 least one-half of the parent's support from the member in the 12-  
19 month period immediately preceding the member's death or the  
20 accident which was the direct cause of the member's death. The  
21 dependency of such a parent will be considered terminated by  
22 marriage of the parent subsequent to the death of the member.

23 w. "Medical board" means the board of physicians provided for  
24 in N.J.S.18A:66-56.

25 x. (1) "Spouse," for employees of the State, means the husband  
26 or wife, or domestic partner as defined in section 3 of P.L.2003,  
27 c.246 (C.26:8A-3), of a member.

28 (2) Subject to the provisions of paragraph (1) of this subsection,  
29 "spouse," for employees of public employers other than the State,  
30 means the husband or wife of a member.

31 (3) A public employer other than the State may adopt a  
32 resolution providing that the term "spouse" as defined in paragraph  
33 (2) of this subsection shall include domestic partners as provided in  
34 paragraph (1) of this subsection.

35 (cf: P.L.2005, c.64, s.2)

36

37 10. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read  
38 as follows:

39 6. As used in this act:

40 a. "Accumulated deductions" means the sum of all the  
41 amounts, deducted from the compensation of a member or  
42 contributed by or on behalf of the member, standing to the credit of  
43 the member's individual account in the annuity savings fund.

44 b. "Annuity" means payments for life derived from the  
45 accumulated deductions of a member as provided in this act.

46 c. "Annuity reserve" means the present value of all payments  
47 to be made on account of any annuity or benefit in lieu of an  
48 annuity, granted under the provisions of this act, computed on the

1 basis of such mortality tables recommended by the actuary as the  
2 board of trustees adopts, with regular interest.

3 d. "Beneficiary" means any person receiving a retirement  
4 allowance or other benefit as provided in this act.

5 e. "Child" means a deceased member's unmarried child either  
6 (1) under the age of 18 or (2) of any age who, at the time of the  
7 member's death, is disabled because of mental retardation or  
8 physical incapacity, is unable to do any substantial, gainful work  
9 because of the impairment and the impairment has lasted or can be  
10 expected to last for a continuous period of not less than 12 months,  
11 as affirmed by the medical board.

12 f. "Parent" shall mean the parent of a member who was  
13 receiving at least 1/2 of the parent's support from the member in the  
14 12-month period immediately preceding the member's death or the  
15 accident which was the direct cause of the member's death. The  
16 dependency of such a parent will be considered terminated by  
17 marriage of the parent subsequent to the death of the member.

18 g. (1) "Widower," for employees of the State, means the man to  
19 whom a member was married, or a domestic partner as defined in  
20 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
21 the date of her death and to whom she continued to be married or a  
22 domestic partner until the date of her death and who was receiving  
23 at least 1/2 of his support from the member in the 12-month period  
24 immediately preceding the member's death or the accident which  
25 was the direct cause of the member's death. The dependency of  
26 such a widower will be considered terminated by marriage of, or  
27 establishment of a domestic partnership by, the widower subsequent  
28 to the death of the member. In the event of the payment of an  
29 accidental death benefit, the five-year qualification shall be waived.

30 (2) Subject to the provisions of paragraph (3) of this subsection,  
31 "widower," for employees of public employers other than the State,  
32 means the man to whom a member was married at least five years  
33 before the date of her death and to whom she continued to be  
34 married until the date of her death and who was receiving at least  
35 1/2 of his support from the member in the 12-month period  
36 immediately preceding the member's death or the accident which  
37 was the direct cause of the member's death. The dependency of  
38 such a widower shall be considered terminated by marriage of the  
39 widower subsequent to the death of the member. In the event of the  
40 payment of an accidental death benefit, the five-year qualification  
41 shall be waived.

42 (3) A public employer other than the State may adopt a  
43 resolution providing that the term "widower" as defined in  
44 paragraph (2) of this subsection shall include domestic partners as  
45 provided in paragraph (1) of this subsection.

46 h. "Final compensation" means the average annual  
47 compensation for which contributions are made for the three years  
48 of creditable service in New Jersey immediately preceding the

1 member's retirement or death, or it shall mean the average annual  
2 compensation for New Jersey service for which contributions are  
3 made during any three fiscal years of his or her membership  
4 providing the largest possible benefit to the member or the  
5 member's beneficiary.

6 i. "Fiscal year" means any year commencing with July 1 and  
7 ending with June 30 next following.

8 j. "Medical board" shall mean the board of physicians  
9 provided for in section 17 (C.43:15A-17).

10 k. "Pension" means payments for life derived from  
11 appropriations made by the employer as provided in this act.

12 l. "Pension reserve" means the present value of all payments to  
13 be made on account of any pension or benefit in lieu of a pension  
14 granted under the provisions of this act, computed on the basis of  
15 such mortality tables recommended by the actuary as the board of  
16 trustees adopts, with regular interest.

17 m. "Public Employees' Retirement System of New Jersey,"  
18 hereinafter referred to as the "retirement system" or "system," is the  
19 corporate name of the arrangement for the payment of retirement  
20 allowances and other benefits under the provisions of this act  
21 including the several funds placed under said system. By that name  
22 all of its business shall be transacted, its funds invested, warrants  
23 for money drawn, and payments made and all of its cash and  
24 securities and other property held.

25 n. "Regular interest" shall mean interest as determined by the  
26 State Treasurer, after consultation with the Directors of the  
27 Divisions of Investment and Pensions, the board of trustees and the  
28 actuary. It shall bear a reasonable relationship to the percentage  
29 rate of earnings on investments based on the market value of the  
30 assets but shall not exceed the assumed percentage rate of increase  
31 applied to salaries plus 3%, provided however that the board of  
32 trustees shall not set the average percentage rate of increase applied  
33 to salaries below 6%.

34 o. "Retirement allowance" means the pension plus the annuity.

35 p. "Veteran" means any honorably discharged officer, soldier,  
36 sailor, airman, marine or nurse who served in any Army, Air Force  
37 or Navy of the Allies of the United States in World War I, between  
38 July 14, 1914, and November 11, 1918, or who served in any Army,  
39 Air Force or Navy of the Allies of the United States in World War  
40 II, between September 1, 1939, and September 2, 1945, and who  
41 was inducted into such service through voluntary enlistment, and  
42 was a citizen of the United States at the time of such enlistment, and  
43 who did not, during or by reason of such service, renounce or lose  
44 United States citizenship, and any officer, soldier, sailor, marine,  
45 airman, nurse or army field clerk, who has served in the active  
46 military or naval service of the United States and has or shall be  
47 discharged or released therefrom under conditions other than  
48 dishonorable, in any of the following wars, uprisings, insurrections,

1 expeditions, or emergencies, and who has presented to the  
2 retirement system evidence of such record of service in form and  
3 content satisfactory to said retirement system:

4 (1) The Indian wars and uprisings during any of the periods  
5 recognized by the War Department of the United States as periods  
6 of active hostility;

7 (2) The Spanish-American War between April 20, 1898, and  
8 April 11, 1899;

9 (3) The Philippine insurrections and expeditions during the  
10 periods recognized by the War Department of the United States as  
11 of active hostility from February 4, 1899, to the end of 1913;

12 (4) The Peking relief expedition between June 20, 1900, and  
13 May 27, 1902;

14 (5) The army of Cuban occupation between July 18, 1898, and  
15 May 20, 1902;

16 (6) The army of Cuban pacification between October 6, 1906,  
17 and April 1, 1909;

18 (7) The Mexican punitive expedition between March 14, 1916,  
19 and February 7, 1917;

20 (8) The Mexican border patrol, having actually participated in  
21 engagements against Mexicans between April 12, 1911, and June  
22 16, 1919;

23 (9) World War I, between April 6, 1917, and November 11,  
24 1918;

25 (10) World War II, between September 16, 1940, and December  
26 31, 1946, who shall have served at least 90 days in such active  
27 service, exclusive of any period of assignment (1) for a course of  
28 education or training under the Army Specialized Training Program  
29 or the Navy College Training Program which course was a  
30 continuation of a civilian course and was pursued to completion, or  
31 (2) as a cadet or midshipman at one of the service academies any  
32 part of which 90 days was served between said dates; provided, that  
33 any person receiving an actual service-incurred injury or disability  
34 shall be classed as a veteran whether or not that person has  
35 completed the 90-day service as herein provided;

36 (11) Korean conflict on or after June 23, 1950, and on or prior to  
37 January 31, 1955, who shall have served at least 90 days in such  
38 active service, exclusive of any period of assignment (1) for a  
39 course of education or training under the Army Specialized  
40 Training Program or the Navy College Training Program which  
41 course was a continuation of a civilian course and was pursued to  
42 completion, or (2) as a cadet or midshipman at one of the service  
43 academies, any part of which 90 days was served between said  
44 dates; provided, that any person receiving an actual service-incurred  
45 injury or disability shall be classed as a veteran whether or not that  
46 person has completed the 90-day service as herein provided; and  
47 provided further, that any member classed as a veteran pursuant to  
48 this paragraph prior to August 1, 1966, shall continue to be classed

1 as a veteran whether or not that person completed the 90-day  
2 service between said dates as herein provided;

3 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
4 Lebanon or on board any ship actively engaged in patrolling the  
5 territorial waters of that nation for a period, continuous or in the  
6 aggregate, of at least 14 days commencing on or before November  
7 1, 1958 or the date of termination of that conflict, as proclaimed by  
8 the President of the United States or Congress, whichever date of  
9 termination is the latest, in such active service; provided, that any  
10 person receiving an actual service-incurred injury or disability shall  
11 be classed as a veteran whether or not that person has completed the  
12 14 days' service as herein provided;

13 (13) Vietnam conflict on or after December 31, 1960, and on or  
14 prior to May 7, 1975, who shall have served at least 90 days in such  
15 active service, exclusive of any period of assignment (1) for a  
16 course of education or training under the Army Specialized  
17 Training Program or the Navy College Training Program which  
18 course was a continuation of a civilian course and was pursued to  
19 completion, or (2) as a cadet or midshipman at one of the service  
20 academies, any part of which 90 days was served between said  
21 dates; and exclusive of any service performed pursuant to the  
22 provisions of section 511(d) of Title 10, United States Code,  
23 pursuant to an enlistment in the Army National Guard or as a  
24 reserve for service in the Army Reserve, Naval Reserve, Air Force  
25 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
26 that any person receiving an actual service-incurred injury or  
27 disability shall be classed as a veteran whether or not that person  
28 has completed the 90 days' service as herein provided;

29 (14) Lebanon peacekeeping mission, on or after September 26,  
30 1982, who has served in Lebanon or on board any ship actively  
31 engaged in patrolling the territorial waters of that nation for a  
32 period, continuous or in the aggregate, of at least 14 days  
33 commencing on or before December 1, 1987 or the date of  
34 termination of that mission, as proclaimed by the President of the  
35 United States or Congress, whichever date of termination is the  
36 latest, in such active service; provided, that any person receiving an  
37 actual service-incurred injury or disability shall be classed as a  
38 veteran whether or not that person has completed the 14 days'  
39 service as herein provided;

40 (15) Grenada peacekeeping mission, on or after October 23,  
41 1983, who has served in Grenada or on board any ship actively  
42 engaged in patrolling the territorial waters of that nation for a  
43 period, continuous or in the aggregate, of at least 14 days  
44 commencing on or before November 21, 1983 or the date of  
45 termination of that mission, as proclaimed by the President of the  
46 United States or Congress, whichever date of termination is the  
47 latest, in such active service; provided, that any person receiving an  
48 actual service-incurred injury or disability shall be classed as a



1 veteran whether or not that person has completed the 14 days'  
2 service as herein provided;

3 (16) Panama peacekeeping mission, on or after December 20,  
4 1989 or the date of inception of that mission, as proclaimed by the  
5 President of the United States or Congress, whichever date of  
6 inception is earliest, who has served in Panama or on board any ship  
7 actively engaged in patrolling the territorial waters of that nation for  
8 a period, continuous or in the aggregate, of at least 14 days  
9 commencing on or before January 31, 1990 or the date of  
10 termination of that mission, as proclaimed by the President of the  
11 United States or Congress, whichever date of termination is the  
12 latest, in such active service; provided, that any person receiving an  
13 actual service-incurred injury or disability shall be classed as a  
14 veteran whether or not that person has completed the 14 days'  
15 service as herein provided;

16 (17) Operation "Desert Shield/Desert Storm" mission in the  
17 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
18 or the date of inception of that operation, as proclaimed by the  
19 President of the United States or Congress, whichever date of  
20 inception is earliest, who has served in the Arabian peninsula or on  
21 board any ship actively engaged in patrolling the Persian Gulf for a  
22 period, continuous or in the aggregate, of at least 14 days  
23 commencing on or before the date of termination of that mission, as  
24 proclaimed by the President of the United States or Congress,  
25 whichever date of termination is the latest, in such active service;  
26 provided, that any person receiving an actual service-incurred injury  
27 or disability shall be classed as a veteran whether or not that person  
28 has completed the 14 days' service as herein provided;

29 (18) Operation Northern Watch and Operation Southern Watch,  
30 on or after August 27, 1992, or the date of inception of that  
31 operation, as proclaimed by the President of the United States,  
32 Congress or United States Secretary of Defense, whichever date of  
33 inception is earliest, who served in the theater of operation,  
34 including in the Arabian peninsula and the Persian Gulf, and in  
35 direct support of that operation for a period, continuously or in the  
36 aggregate, of at least 14 days in such active service, commencing on  
37 or before the date of termination of that operation, as proclaimed by  
38 the President of the United States, Congress or United States  
39 Secretary of Defense, whichever date of termination is the latest;  
40 provided, that any person receiving an actual service-incurred injury  
41 or disability while engaged in such service shall be classed as a  
42 veteran whether or not that person has completed the 14 days'  
43 service as herein provided;

44 (19) Operation "Restore Hope" in Somalia, on or after December  
45 5, 1992, or the date of inception of that operation as proclaimed by  
46 the President of the United States or Congress, whichever date is  
47 earliest, who has served in Somalia or on board any ship actively  
48 engaged in patrolling the territorial waters of that nation for a

1 period, continuously or in the aggregate, of at least 14 days in such  
2 active service commencing on or before March 31, 1994; provided  
3 that any person receiving an actual service-incurred injury or  
4 disability shall be classed as a veteran whether or not that person  
5 has completed the 14-day service as herein provided;

6 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
7 Republic of Bosnia and Herzegovina, on or after November 20,  
8 1995, who served in such active service in direct support of one or  
9 both of the operations for at least 14 days, continuously or in the  
10 aggregate, commencing on or before June 20, 1998 and (1) was  
11 deployed in that nation or in another area in the region, or (2) was  
12 on board a United States naval vessel operating in the Adriatic Sea,  
13 or (3) operated in airspace above the Republic of Bosnia and  
14 Herzegovina; provided that any person receiving an actual service-  
15 incurred injury or disability shall be classed as a veteran whether or  
16 not that person completed the 14-day service requirement;

17 (21) Operation "Enduring Freedom", on or after September 11,  
18 2001, who served in a theater of operation and in direct support of  
19 that operation for a period, continuously or in the aggregate, of at  
20 least 14 days in such active service commencing on or before the  
21 date the President of the United States or the United States  
22 Secretary of Defense designates as the termination date of that  
23 operation; provided, that any person receiving an actual service-  
24 incurred injury or disability while engaged in such service shall be  
25 classed as a veteran whether or not that person has completed the 14  
26 days' service as herein provided; and

27 (22) Operation "Iraqi Freedom", on or after the date the President  
28 of the United States or the United States Secretary of Defense  
29 designates as the inception date of that operation, who served in  
30 Iraq or in another area in the region in direct support of that  
31 operation for a period, continuously or in the aggregate, of at least  
32 14 days in such active service commencing on or before the date the  
33 President of the United States or the United States Secretary of  
34 Defense designates as the termination date of that operation;  
35 provided, that any person receiving an actual service-incurred injury  
36 or disability while engaged in such service shall be classed as a  
37 veteran whether or not that person has completed the 14 days'  
38 service as herein provided.

39 "Veteran" also means any honorably discharged member of the  
40 American Merchant Marine who served during World War II and is  
41 declared by the United States Department of Defense to be eligible  
42 for federal veterans' benefits.

43 q. (1) "Widow," for employees of the State, means the woman to  
44 whom a member was married, or a domestic partner as defined in  
45 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
46 the date of his death and to whom he continued to be married or a  
47 domestic partner until the date of his death and who was receiving  
48 at least 1/2 of her support from the member in the 12-month period

1 immediately preceding the member's death or the accident which  
2 was the direct cause of the member's death. The dependency of  
3 such a widow will be considered terminated by the marriage of, or  
4 establishment of a domestic partnership by, the widow subsequent  
5 to the member's death. In the event of the payment of an accidental  
6 death benefit, the five-year qualification shall be waived.

7 (2) Subject to the provisions of paragraph (3) of this subsection,  
8 "widow," for employees of public employers other than the State,  
9 means the woman to whom a member was married at least five  
10 years before the date of his death and to whom he continued to be  
11 married until the date of his death and who was receiving at least  
12 1/2 of her support from the member in the 12-month period  
13 immediately preceding the member's death or the accident which  
14 was the direct cause of the member's death. The dependency of  
15 such a widow shall be considered terminated by the marriage of the  
16 widow subsequent to the member's death. In the event of the  
17 payment of an accidental death benefit, the five-year qualification  
18 shall be waived.

19 (3) A public employer other than the State may adopt a  
20 resolution providing that the term "widow" as defined in paragraph  
21 (2) of this subsection shall include domestic partners as provided in  
22 paragraph (1) of this subsection.

23 r. (1) "Compensation" means the base or contractual salary,  
24 for services as an employee, which is in accordance with  
25 established salary policies of the member's employer for all  
26 employees in the same position but shall not include individual  
27 salary adjustments which are granted primarily in anticipation of  
28 the member's retirement or additional remuneration for performing  
29 temporary or extracurricular duties beyond the regular workday or  
30 the regular work year.

31 (2) In the case of a person who becomes a member of the  
32 retirement system on or after July 1, 2007, "compensation" means  
33 the amount of base or contractual salary equivalent to the annual  
34 maximum wage contribution base for Social Security, pursuant to  
35 the federal Insurance Contributions Act, for services as an  
36 employee, which is in accordance with established salary policies of  
37 the member's employer for all employees in the same position but  
38 shall not include individual salary adjustments which are granted  
39 primarily in anticipation of the member's retirement or additional  
40 remuneration for performing temporary or extracurricular duties  
41 beyond the regular workday or the regular work year. This  
42 paragraph shall not apply to a person who at the time of enrollment  
43 in the retirement system on or after July 1, 2007 transfers service  
44 credit from another State-administered retirement system pursuant  
45 to section 14 of P.L.1954, c.84 (C.43:15A-14), but shall apply to a  
46 former member of the retirement system who has been granted a  
47 retirement allowance and is reenrolled in the retirement system on  
48 or after July 1, 2007 pursuant to section 27 of P.L.1966, c.217

1 (C.43:15A-57.2) after becoming employed again in a position that  
2 makes the person eligible to be a member of the retirement system.

3 In cases where salary includes maintenance, the retirement  
4 system shall fix the value of that part of the salary not paid in  
5 money which shall be considered under this act.

6 (cf: P.L.2005, c.64, s.3)

7

8 11. Section 1 of P.L.2007, c.92 (C.43:15C-1) is amended to read  
9 as follows:

10 1. There is hereby established in the Department of the  
11 Treasury a Defined Contribution Retirement Program. The program  
12 design shall be one that is permitted for governmental plans under  
13 the federal Internal Revenue Code as determined by the State  
14 Treasurer. The retirement program is deemed to be a pension fund  
15 or retirement system for purposes of P.L.1968, c.23 (C.43:3C-1 et  
16 seq.).

17 'The State Treasurer may adopt, pursuant to the "Administrative  
18 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and  
19 regulations necessary to implement the provisions of sections 1  
20 through 15 of P.L.2007, c.92 (C.43:15C-1 et seq.), except that  
21 notwithstanding the provisions of P.L.1968, c.410 to the contrary,  
22 the State Treasurer may adopt, immediately upon filing with the  
23 Office of Administrative Law, such rules and regulations as the  
24 State Treasurer deems necessary to implement the provisions of  
25 sections 1 through 15 of P.L.2007, c.92 (C.43:15C-1 et seq.), which  
26 shall be effective for a period not to exceed 12 months and shall  
27 thereafter be adopted or re-adopted by the State Treasurer in  
28 accordance with the provisions of P.L.1968, c.410.'<sup>1</sup>

29 For the purposes of the Defined Contribution Retirement  
30 Program:

31 "Base salary" means a participant's regular base salary; except  
32 that for a participant pursuant to paragraph (5) of subsection a. of  
33 section 2 of P.L.2007, c.92 (C.43:15C-2), it shall mean the excess  
34 over the maximum compensation as specified in that paragraph. It  
35 shall exclude overtime or other forms of extra compensation,  
36 including but not limited to, longevity lump sum payments, lump  
37 sum terminal sick leave or vacation pay, the value of maintenance,  
38 individual pay adjustments made within or at the conclusion of the  
39 participant's final year of service, retroactive salary adjustments or  
40 other pay adjustments made in the participant's final year of service  
41 unless the adjustment was made as a result of a general pay  
42 adjustment for all personnel of the public office or agency in which  
43 the participant is employed, or any unscheduled individual  
44 adjustment made in the final year to place the participant at the  
45 maximum salary level within salary range.

46 "Employer" means the State or a political subdivision thereof, or  
47 an agency, board, commission, authority or instrumentality of the  
48 State or a subdivision, that pays the base salary of a participant for

1 services rendered by the participant.

2 “Retirement program” means the Defined Contribution  
3 Retirement Program established by this section.

4 (cf: P.L.2007, c.92, s.1)

5

6 12. Section 2 of P.L.2007, c.92 (C.43:15C-2) is amended to read  
7 as follows:

8 2. a. The following persons shall be eligible and shall  
9 participate in the Defined Contribution Retirement Program.

10 (1) A person who commences service on or after the effective  
11 date of this section of P.L.2007, c.92 (C.43:15C-1 et al.) in an  
12 elective public office of this State or of a political subdivision  
13 thereof, except that it shall not include a person who holds elective  
14 public office on the effective date of this section and is enrolled in  
15 the Public Employees’ Retirement System while that person  
16 continues to hold that elective public office without a break in  
17 service. Service in the Legislature shall be considered a single  
18 elective public office.

19 (2) A person who commences service on or after the effective  
20 date of this section in an employment, office or position of the State  
21 or of a political subdivision thereof, or an agency, board,  
22 commission, authority or instrumentality of the State or of a  
23 subdivision, pursuant to an appointment by the Governor that  
24 requires the advice and consent of the Senate, or pursuant to an  
25 appointment by the Governor to serve at the pleasure of the  
26 Governor only during his or her term of office. This paragraph  
27 shall not be deemed to include a person otherwise eligible for  
28 membership in the State Police Retirement System or the Judicial  
29 Retirement System.

30 (3) A person who commences service on or after the effective  
31 date of this section in an employment, office or position in a  
32 political subdivision of the State, or an agency, board, commission,  
33 authority or instrumentality of a subdivision, pursuant to an  
34 appointment by an elected public official or elected governing  
35 body, that requires the specific consent or approval of the elected  
36 governing body of the political subdivision that is substantially  
37 similar in nature to the advice and consent of the Senate for  
38 appointments by the Governor of the State as that similarity is  
39 determined by the elected governing body and set forth in an  
40 adopted ordinance or resolution, pursuant to guidelines or policy  
41 that shall be established by the Local Finance Board in the  
42 Department of Community Affairs or the Department of Education,  
43 as appropriate to the elected governing body. This paragraph shall  
44 not be deemed to include a person otherwise eligible for  
45 membership in the Teachers’ Pension and Annuity Fund or the  
46 Police and Firemen’s Retirement System, or a person who is  
47 employed or appointed in the regular or normal course of  
48 employment or appointment procedures and consented to or

1 approved in a general or routine manner appropriate for and  
2 followed by the political subdivision, or the agency, board,  
3 commission, authority or instrumentality of a subdivision, or a  
4 person who holds a professional license or certificate to perform  
5 and is performing as a certified health officer, tax assessor, tax  
6 collector, municipal planner, chief financial officer, registered  
7 municipal clerk, construction code official, licensed uniform  
8 subcode inspector, qualified purchasing agent, or certified public  
9 works manager.

10 (4) A person who is granted a pension or retirement allowance  
11 under any pension fund or retirement system established under the  
12 laws of this State and elects to participate pursuant to section 1 of  
13 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

14 (5) A member of the Teachers' Pension and Annuity Fund or the  
15 Public Employees' Retirement System for whom compensation is  
16 defined as the amount of base or contractual salary equivalent to the  
17 annual maximum wage contribution base for Social Security,  
18 pursuant to the federal Insurance Contributions Act, for  
19 contribution and benefit purposes in either of those retirement  
20 systems, for whom participation in this retirement program shall be  
21 with regard to any excess over the maximum compensation only.

22 b. No person shall be eligible to participate in the retirement  
23 program with respect to any public employment, office, or position  
24 if:

25 (1) the base salary for that employment, office, or position is  
26 less than \$1,500 per year;

27 (2) the person is, on the basis of service in that employment,  
28 office, or position, eligible for membership or enrolled as a member  
29 of another State or locally-administered pension fund or retirement  
30 system established under the laws of this State including the  
31 Alternate Benefit Program, except as otherwise specifically  
32 provided in subsection a. of this section;

33 (3) the person is receiving a benefit as a retiree from any other  
34 State or locally-administered pension fund or retirement system  
35 established under the laws of this State, except as provided in  
36 section 1 of P.L.1977, c.171 (C.43:3C-3); or

37 (4) the person is an officer or employee of a political  
38 subdivision of this State or of a board of education, or of any  
39 agency, authority or instrumentality thereof, who is ineligible for  
40 membership in the Public Employees' Retirement System pursuant  
41 to section 20 of P.L.2007, c.92 (C.43:15A-7.2).

42 c. A person eligible and required to participate in the  
43 retirement program whose base salary is less than \$5,000 may at the  
44 commencement of service in an employment, office or position <sup>1</sup>[,  
45 or a person eligible and required to participate in the retirement  
46 program pursuant to paragraph (5) of subsection a. of this section  
47 may.]<sup>1</sup> irrevocably elect to waive participation with regard to that  
48 employment, office, or position by filing, at the time and on a form

1 required by the division, a written waiver with the Division of  
2 Pensions and Benefits that waives all rights and benefits that would  
3 otherwise be provided by the retirement program.

4 <sup>1</sup>A person eligible and required to participate in the retirement  
5 program pursuant to paragraph (5) of subsection a. of this section  
6 may elect to waive participation with regard to that employment,  
7 office, or position by filing, when first eligible, on a form required  
8 by the division, a written waiver with the Division of Pensions and  
9 Benefits that waives all rights and benefits that would otherwise be  
10 provided by the retirement program. Such a person may thereafter  
11 elect to participate in the retirement program by filing, on a form  
12 required by the division, a written election to participate in the  
13 retirement program and participation in the retirement program  
14 pursuant to such election shall commence on the January 1 next  
15 following the filing of the election to participate.<sup>1</sup>

16 d. Service credited to a participant in the Defined Contribution  
17 Retirement Program shall not be recognized as service credit to  
18 determine eligibility for employer-paid health care benefits in  
19 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),  
20 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or  
21 any other law, rule or regulation.  
22 (cf: P.L.2007, c.92, s.2)

23  
24 13. Section 7 of P.L.2007, c.92 (C.43:15C-7) is amended to read  
25 as follows:

26 7. The benefit under a group contract or contracts providing life  
27 insurance shall be in an amount equal to one and one-half the base  
28 annual salary of the participant in the retirement program, except  
29 that in the event of death after retirement, the amount payable shall  
30 equal 3/16 of the participant's base annual salary. "Base annual  
31 salary" means the base salary upon which contributions by the  
32 participant and the participant's employer to the retirement program  
33 were based during the last year of creditable service.

34 For purposes of this section, a participant shall be deemed to be  
35 in service and covered by the group life insurance for a period of  
36 official leave of absence without pay when such leave is due to  
37 illness or any reason other than illness, with such period to be  
38 determined by the Division of Pensions and Benefits, if satisfactory  
39 evidence is presented to the division of such official leave of  
40 absence. A participant shall be deemed to be on an official leave of  
41 absence only if the leave is formally approved by the employer  
42 prior to the time the leave commenced and timely notice is filed by  
43 the employer with the division. If timely notice is not filed, the  
44 employer shall be responsible for the payment of any benefits  
45 pursuant to this section if the participant was otherwise eligible for  
46 such benefits.

47 In the event of the death of a participant in active service in the  
48 first year of participation as a result of an accident met in the actual

1 performance of duty at some definite time and place, the death  
2 benefit payable pursuant to this section shall be computed at the  
3 annual rate of base salary.

4 No beneficiary of a retired participant shall be entitled to receive  
5 the death benefits payable in the event of death after retirement  
6 pursuant to this section unless the participant either: had at least 25  
7 years of credited participation in the retirement program established  
8 pursuant to this act; or had at least 10 years of such credited  
9 participation and had attained 60 years of age and was an actively  
10 employed participant in the program in the year immediately  
11 preceding initial receipt of a retirement annuity. For a member who  
12 is a participant pursuant to paragraph (5) of subsection a. of section  
13 2 of P.L.2007, c.92 (C.43:15C-2), service credit in the Teachers'  
14 Pension and Annuity Fund or the Public Employees' Retirement  
15 System shall also be considered in determining if the participant  
16 met the requirements of this paragraph.

17 (cf: P.L.2007, c.92, s.7)

18

19 14. Section 11 of P.L.2007, c.92 (C.43:15C-11) is amended to  
20 read as follows:

21 11. Any person entitled to become a participant in the retirement  
22 program shall not be allowed any of the group life insurance and  
23 disability benefits if on the date of filing an application for  
24 participation the person is 60 or more years of age, or if the person  
25 makes application for participation in the retirement program  
26 beyond the year after first becoming eligible for participation,  
27 regardless of age, unless the participant furnishes satisfactory  
28 evidence of insurability and on the effective date of participation is  
29 actively at work and performing all regular duties at the customary  
30 place of employment.

31 The effective date of coverage for such benefits shall be the first  
32 day of the month which immediately follows the date when such  
33 evidence is determined to be satisfactory.

34 Such evidence of insurability shall not be required of any person  
35 enrolling in the retirement program upon transfer from another  
36 State-administered retirement system, if such retirement system  
37 provided a benefit of a similar nature and the transferring person  
38 was covered by such a benefit at the time of the transfer. If such  
39 transferring person was not covered by such a benefit at the time of  
40 the transfer, the person may be allowed the benefit under the group  
41 policy or policies; however, any such person shall furnish  
42 satisfactory evidence of insurability if he had been unable or failed  
43 to give such evidence as a member of the retirement system from  
44 which the person transferred. Such evidence of insurability shall  
45 not be required of any member of the Teachers' Pension and  
46 Annuity Fund or the Public Employees' Retirement System who is  
47 enrolling in the retirement program pursuant to paragraph (5) of  
48 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), if such



1 retirement system provides a benefit of a similar nature and the  
2 participant is covered by such a benefit at the time of enrollment in  
3 the program.

4 Any person who must furnish satisfactory evidence of  
5 insurability under the provisions of this section and who ceases to  
6 be a participant in the retirement program without such evidence  
7 having been given shall continue to be subject to the same  
8 requirement if the person subsequently becomes a participant.

9 (cf: P.L.2007, c.92, s.11)

10

11 15. Section 13 of P.L.2007, c.92 (C.43:15C-13) is amended to  
12 read as follows:

13 13. The disability benefit coverage provided under a group  
14 policy or policies shall provide a monthly income if the participant  
15 becomes totally disabled from occupational or nonoccupational  
16 causes for a period of at least six consecutive months following the  
17 effective date of the coverage. The monthly disability benefit may  
18 be paid by the insurance company so long as the participant remains  
19 disabled up to the seventieth birthday, provided the disability  
20 commenced prior to the sixtieth birthday. The benefit shall  
21 terminate when the participant is no longer considered totally  
22 disabled or begins to receive retirement benefits.

23 The participant shall be considered totally disabled if the  
24 participant is unable to perform each duty of the participant's  
25 occupation and is under the regular care of a physician. After the  
26 24 months following the commencement of such disability benefit  
27 payments, the participant shall be unable to engage in any gainful  
28 occupation for which the participant is reasonably fitted by  
29 education, training or experience. Total disability shall not be  
30 considered to exist if the participant is gainfully employed.  
31 Following an agreement with the insurance company and the  
32 policyholder, the participant may continue to receive disability  
33 benefits for a limited time while performing some type of work.  
34 During the period of rehabilitation, the monthly benefit shall be the  
35 regular payment less 80% of the participant's earnings from such  
36 rehabilitative position.

37 A participant shall be deemed to be in service and covered by the  
38 disability benefit insurance provisions for a period of no more than  
39 six months while on official leave of absence without pay if  
40 satisfactory evidence is presented to the Division of Pensions and  
41 Benefits that such leave of absence without pay is due to illness and  
42 that the participant was not actively engaged in any gainful  
43 occupation during such period of leave of absence without pay.

44 Disability benefit insurance provisions of the group policy or  
45 policies shall not cover disability resulting from or contributed to  
46 by pregnancy, act of war, intentionally self-inflicted injury, or  
47 attempted suicide whether or not sane. For purposes of such  
48 disability benefit coverage, the participant shall not be considered

1 to be disabled while the participant is imprisoned or while outside  
2 the United States, its territories or possessions, or Canada.

3 If the participant has recovered from the disability for which the  
4 member had received benefits and again becomes totally disabled  
5 while insured, the later disability shall be regarded as a continuation  
6 of the prior one unless the participant has returned to full-time  
7 covered employment for at least six months. If the later absence is  
8 due to an unrelated cause and the participant had returned to full-  
9 time work, it shall be considered a new disability. The disability  
10 benefit insurance cannot be converted to an individual policy.

11 No participant shall be covered by the disability benefit  
12 provision of the group policy or policies except upon the  
13 completion of one year of full-time continuous employment in a  
14 position eligible for participation in the Defined Contribution  
15 Retirement Program. For a member who is a participant pursuant to  
16 paragraph (5) of subsection a. of section 2 of P.L.2007, c.92  
17 (C.43:15C-2), completion of one year of full-time continuous  
18 employment in a position eligible for membership in the Teachers'  
19 Pension and Annuity Fund or the Public Employees' Retirement  
20 System shall also be considered in determining if the participant  
21 met the requirements of this paragraph.

22 (cf: P.L.2007, c.92, s.13)

23

24 16. Section 14 of P.L.2007, c.92 (C.43:15C-14) is amended to  
25 read as follows:

26 14. The disability benefit provided under a group policy or  
27 policies shall be in an amount equal to 60% of the participant's base  
28 monthly salary, reduced by periodic benefits to which the  
29 participant may be entitled during the period of total disability. For  
30 a member who is a participant pursuant to paragraph (5) of  
31 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), base  
32 monthly salary for this disability benefit shall mean the base or  
33 contractual salary upon which contributions were made to the  
34 Teachers' Pension and Annuity Fund or the Public Employees'  
35 Retirement System and to this program.

36 The periodic benefit by which the monthly disability benefit may  
37 be reduced shall include salary or wages, retirement benefits or  
38 benefits from any source for which the State or other public  
39 employer has paid any part of the cost or made payroll deductions,  
40 Social Security disability or other benefits, including dependents'  
41 benefits, and benefits paid by Social Security at the option of the  
42 participant before the age of 65, but not including any increase in  
43 Social Security benefits enacted after the disability benefit under  
44 such group policy or policies have commenced, and any other  
45 periodic benefits provided by law except on account of military  
46 service.

47 When a participant begins to receive a disability benefit under  
48 such group policy or policies, the insurance company shall pay an

1 amount equal to the employee contribution which would have been  
2 required of the participant and deducted from the participant's base  
3 salary in order to meet the participant's obligation for the program.  
4 Such amount shall be paid by the insurance company without  
5 reduction by any other periodic benefit which the participant is  
6 eligible to receive. Such amount shall be paid by the insurance  
7 company to the insurer or insurers for the participant's retirement  
8 annuity.

9 Premiums for such disability coverage shall be paid from a  
10 special fund, hereby created, called the "Defined Contribution  
11 Retirement Program Disability Premium Fund." The State  
12 Treasurer shall estimate annually the amount that will be required  
13 for premiums for such benefits for the ensuing fiscal year and shall  
14 certify such amounts that shall be applied to the total State and  
15 other employer contributions due on behalf of the participants in the  
16 retirement program from the State and other employers, depositing  
17 such amounts in the premium fund. Additionally, employers will  
18 pay their share of the administrative costs of the program. The  
19 intervals for all payments and the allocation of administrative costs  
20 shall be determined by the Division of Pensions and Benefits  
21 including due dates and penalties for non compliance.

22 (cf: P.L.2007, c.92, s.14)

23

24 17. N.J.S.18A:66-15 is amended to read as follows:

25 18A:66-15. In computing for retirement or for purposes of  
26 resignation or separation from service under sections 18A:66-36  
27 and 18A:66-37 the total service of a member about to be retired, the  
28 retirement system shall credit him with all service rendered by him  
29 since he last became a member and in addition, with all the service  
30 to which he is entitled and with no other service. Except as  
31 otherwise provided in this article, such service credit shall be final  
32 and conclusive for retirement purposes, or for purposes of  
33 resignation under sections 18A:66-36 and 18A:66-37, unless the  
34 member shall discontinue his service for more than two consecutive  
35 years. In the case of a member for whom compensation is defined in  
36 paragraph (2) of subsection d. of N.J.S.18A:66-2, the retirement  
37 system shall credit the member with the time of all service rendered  
38 by the member during the part of any year that the member was a  
39 participant of the Defined Contribution Retirement Program,  
40 pursuant to paragraph (5) of subsection a. of section 2 of P.L.2007,  
41 c.92 (C.43:15C-2), and making contributions to that program.

42 For the purpose of computing service for retirement purposes,  
43 the board of trustees shall fix and determine by appropriate rules  
44 and regulations how much service in any year shall equal a year of  
45 service and part of a year of service. Not more than one year shall  
46 be credited for all service in a calendar year.

47 (cf: N.J.S.18A:66-15)

1 18. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to  
2 read as follows:

3 39. In computing for retirement purposes the total service of a  
4 member about to be retired, the retirement system shall credit the  
5 member with the time of all service rendered by the member since  
6 that member's last enrollment, and in addition with all the service to  
7 which the member is entitled and with no other service. Except as  
8 otherwise provided in this act, this service credit shall be final and  
9 conclusive for retirement purposes unless the member shall  
10 discontinue service for more than two consecutive years. In the  
11 case of a member for whom compensation is defined in paragraph  
12 (2) of subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the  
13 retirement system shall credit the member with the time of all  
14 service rendered by the member during the part of any year that the  
15 member was a participant of the Defined Contribution Retirement  
16 Program, pursuant to paragraph (5) of subsection a. of section 2 of  
17 P.L.2007, c.92 (C.43:15C-2), and making contributions to that  
18 program.

19 For the purpose of computing service for retirement purposes,  
20 the board shall fix and determine by appropriate rules and  
21 regulations how much service in any year shall equal a year of  
22 service and a part of a year of service. Not more than one year shall  
23 be credited for all service in a calendar year. A member may  
24 purchase credit for time during which the member shall have been  
25 absent on an official leave without pay. The credit shall be  
26 purchased for a period of time equal to:

27 (1) three months or the duration of the leave, whichever is less;  
28 or

29 (2) if the leave was due to the member's personal illness, two  
30 years or the duration of the leave, whichever is less; or

31 (3) the period of leave that is specifically allowed for retirement  
32 purposes by the provisions of any law of this State.

33 The purchase shall be made in the same manner and be subject to  
34 the same terms and conditions provided for the purchase of previous  
35 membership service credit by section 8 of P.L.1954, c.54  
36 (C.43:15A-8). In computing the service or in computing final  
37 compensation, no time during which a member was in employment,  
38 office, or position for which the annual salary or remuneration was  
39 fixed at less than \$500.00 in the case of service rendered prior to  
40 November 6, 1986, or less than \$1,500.00 in the case of service  
41 rendered on or after that date, shall be credited, except that in the  
42 case of a veteran member credit shall be given for service rendered  
43 prior to January 2, 1955, in an employment, office or position if the  
44 annual salary or remuneration therefor was fixed at not less than  
45 \$300.00 and such service consisted of the performance of the full  
46 duties of the employment, office or position.

47 (cf: P.L.1991, c.138, s.10)

1       19. Section 2 of P.L.1961, c.49 (C.52:14-17.26) is amended to  
2 read as follows:

3       2. As used in this act:

4       (a) The term "State" means the State of New Jersey.

5       (b) The term "commission" means the State Health Benefits  
6 Commission, created by section 3 of this act.

7       (c) The term "employee" means an appointive or elective officer  
8 or full-time employee of the State of New Jersey. For the purposes  
9 of this act an employee of Rutgers, The State University of New  
10 Jersey, shall be deemed to be an employee of the State, and an  
11 employee of the New Jersey Institute of Technology shall be  
12 considered to be an employee of the State during such time as the  
13 Trustees of the Institute are party to a contractual agreement with  
14 the State Treasurer for the provision of educational services. The  
15 term "employee" shall further mean, for purposes of this act, a  
16 former employee of the South Jersey Port Corporation, who is  
17 employed by a subsidiary corporation or other corporation, which  
18 has been established by the Delaware River Port Authority pursuant  
19 to subdivision (m) of Article I of the compact creating the Delaware  
20 River Port Authority (R.S.32:3-2), as defined in section 3 of  
21 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued  
22 membership in the Public Employees' Retirement System pursuant  
23 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

24       For the purposes of this act the term "employee" shall not  
25 include persons employed on a short-term, seasonal, intermittent or  
26 emergency basis, persons compensated on a fee basis, persons  
27 having less than two months of continuous service or persons whose  
28 compensation from the State is limited to reimbursement of  
29 necessary expenses actually incurred in the discharge of their  
30 official duties , provided, however, that the term "employee" shall  
31 include persons employed on an intermittent basis to whom the  
32 State has agreed to provide coverage under P.L.1961, c.49  
33 (C.52:14-17.25 et seq.) in accordance with a binding collective  
34 negotiations agreement. An employee paid on a 10-month basis,  
35 pursuant to an annual contract, will be deemed to have satisfied the  
36 two-month waiting period if the employee begins employment at  
37 the beginning of the contract year. The term "employee" shall also  
38 not include retired persons who are otherwise eligible for benefits  
39 under this act but who, although they meet the age or disability  
40 eligibility requirement of Medicare, are not covered by **[the**  
41 **complete federal program]** Medicare Hospital Insurance, also  
42 known as Medicare Part A, and Medicare Medical Insurance, also  
43 known as Medicare Part B. A determination by the commission  
44 that a person is an eligible employee within the meaning of this act  
45 shall be final and shall be binding on all parties.

46       (d) (1) The term "dependents" means an employee's spouse,  
47 partner in a civil union couple or an employee's domestic partner as  
48 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the

1 employee's unmarried children under the age of 23 years who live  
2 with the employee in a regular parent-child relationship. "Children"  
3 shall include stepchildren, legally adopted children and children  
4 placed by the Division of Youth and Family Services in the  
5 Department of Children and Families, provided they are reported  
6 for coverage and are wholly dependent upon the employee for  
7 support and maintenance. A spouse, partner in a civil union couple,  
8 domestic partner or child enlisting or inducted into military service  
9 shall not be considered a dependent during the military service.  
10 The term "dependents" shall not include spouses, partners in a civil  
11 union couple or domestic partners of retired persons who are  
12 otherwise eligible for the benefits under this act but who, although  
13 they meet the age or disability eligibility requirement of Medicare,  
14 are not covered by **【the complete federal program】** Medicare  
15 Hospital Insurance, also known as Medicare Part A, and Medicare  
16 Medical Insurance, also known as Medicare Part B.

17 (2) Notwithstanding the provisions of paragraph (1) of this  
18 subsection to the contrary and subject to the provisions of paragraph  
19 (3) of this subsection, for the purposes of an employer other than  
20 the State that is participating in the State Health Benefits Program  
21 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term  
22 "dependents" means an employee's spouse or partner in a civil  
23 union couple and the employee's unmarried children under the age  
24 of 23 years who live with the employee in a regular parent-child  
25 relationship. "Children" shall include stepchildren, legally adopted  
26 children and children placed by the Division of Youth and Family  
27 Services in the Department of Children and Families provided they  
28 are reported for coverage and are wholly dependent upon the  
29 employee for support and maintenance. A spouse, partner in a civil  
30 union couple or child enlisting or inducted into military service  
31 shall not be considered a dependent during the military service.  
32 The term "dependents" shall not include spouses or partners in a  
33 civil union couple of retired persons who are otherwise eligible for  
34 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,  
35 although they meet the age or disability eligibility requirement of  
36 Medicare, are not covered by **【the complete federal program】**  
37 Medicare Hospital Insurance, also known as Medicare Part A, and  
38 Medicare Medical Insurance, also known as Medicare Part B.

39 (3) An employer other than the State that is participating in the  
40 State Health Benefits Program pursuant to section 3 of P.L.1964,  
41 c.125 (C.52:14-17.34) may adopt a resolution providing that the  
42 term "dependents" as defined in paragraph (2) of this subsection  
43 shall include domestic partners as provided in paragraph (1) of this  
44 subsection.

45 (e) The term "carrier" means a voluntary association,  
46 corporation or other organization, including a health maintenance  
47 organization as defined in section 2 of the "Health Maintenance  
48 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully

1 engaged in providing or paying for or reimbursing the cost of,  
2 personal health services, including hospitalization, medical and  
3 surgical services, under insurance policies or contracts, membership  
4 or subscription contracts, or the like, in consideration of premiums  
5 or other periodic charges payable to the carrier.

6 (f) The term "hospital" means (1) an institution operated  
7 pursuant to law which is primarily engaged in providing on its own  
8 premises, for compensation from its patients, medical diagnostic  
9 and major surgical facilities for the care and treatment of sick and  
10 injured persons on an inpatient basis, and which provides such  
11 facilities under the supervision of a staff of physicians and with 24  
12 hour a day nursing service by registered graduate nurses, or (2) an  
13 institution not meeting all of the requirements of (1) but which is  
14 accredited as a hospital by the Joint Commission on Accreditation  
15 of Hospitals. In no event shall the term "hospital" include a  
16 convalescent nursing home or any institution or part thereof which  
17 is used principally as a convalescent facility, residential center for  
18 the treatment and education of children with mental disorders, rest  
19 facility, nursing facility or facility for the aged or for the care of  
20 drug addicts or alcoholics.

21 (g) The term "State managed care plan" means a health care  
22 plan under which comprehensive health care services and supplies  
23 are provided to eligible employees, retirees, and dependents: (1)  
24 through a group of doctors and other providers employed by the  
25 plan; or (2) through an individual practice association, preferred  
26 provider organization, or point of service plan under which services  
27 and supplies are furnished to plan participants through a network of  
28 doctors and other providers under contracts or agreements with the  
29 plan on a prepayment or reimbursement basis and which may  
30 provide for payment or reimbursement for services and supplies  
31 obtained outside the network. The plan may be provided on an  
32 insured basis through contracts with carriers or on a self-insured  
33 basis, and may be operated and administered by the State or by  
34 carriers under contracts with the State.

35 (h) The term "Medicare" means the program established by the  
36 "Health Insurance for the Aged Act," Title XVIII of the "Social  
37 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
38 or its successor plan or plans.

39 (i) The term "traditional plan" means a health care plan which  
40 provides basic benefits, extended basic benefits and major medical  
41 expense benefits as set forth in section 5 of P.L.1961, c.49  
42 (C.52:14-17.29) by indemnifying eligible employees, retirees, and  
43 dependents for expenses for covered health care services and  
44 supplies through payments to providers or reimbursements to  
45 participants.

46 (j) The term "successor plan" means a State managed care plan  
47 that shall replace the traditional plan and that shall provide benefits  
48 as set forth in subsection (B) of section 5 of P.L.1961, c.49

1 (C.52:14-17.29) with provisions regarding reimbursements and  
2 payments as set forth in paragraph (1) of subsection (C) of section 5  
3 of P.L.1961, c.49 (C.52:14-17.29).  
4 (cf: P.L.2006, c.47, s.190)

5  
6 20. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to  
7 read as follows:

8 3. There is hereby created a State Health Benefits Commission,  
9 consisting of five members: the State Treasurer; the Commissioner  
10 of Banking and Insurance; the Commissioner of Personnel; a State  
11 employees' representative chosen by the Public Employees'  
12 Committee of the AFL-CIO; and , through June 30, 2008, when  
13 employers of employees, as defined in section 32 of  
14 P.L. , c. (C. )(pending before the Legislature as this bill),  
15 will no longer be eligible to participate in the State Health Benefits  
16 Program authorized by P.L.1961, c.49, a representative chosen by  
17 the New Jersey Education Association, which represents the largest  
18 number of employees of employers other than the State  
19 participating in the State Health Benefits Program. Beginning July  
20 1, 2008, the fifth member of the commission shall be a local  
21 employees' representative chosen by the Public Employees'  
22 Committee of the AFL-CIO.

23 The treasurer shall be chairman of the commission and the health  
24 benefits program authorized by P.L.1961, c.49 shall be administered  
25 in the Treasury Department. The Director of the Division of  
26 Pensions and Benefits shall be the secretary of the commission.  
27 The commission shall establish a health benefits program for the  
28 employees of the State, the cost of which shall be paid as specified  
29 in section 6 of P.L.1961, c.49. The commission shall establish rules  
30 and regulations as may be deemed reasonable and necessary for the  
31 administration of P.L.1961, c.49.

32 The Attorney General shall be the legal advisor of the  
33 commission.

34 The members of the commission shall serve without  
35 compensation but shall be reimbursed for any necessary  
36 expenditures. The public employee members shall not suffer loss of  
37 salary or wages during service on the commission.

38 The commission shall publish annually a report showing the  
39 fiscal transactions of the program for the preceding year and stating  
40 other facts pertaining to the plan. The commission shall submit the  
41 report to the Governor and furnish a copy to every employer for  
42 use of the participants and the public.

43 (cf: P.L.2003, c.71, s.1)

44  
45 21. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to  
46 read as follows:

47 4. a. The commission shall negotiate with and arrange for the  
48 purchase, on such terms as it deems to be in the best interests of the



1 State and its employees, from carriers licensed to operate in the  
2 State or in other jurisdictions, as appropriate, contracts providing  
3 hospital, surgical, obstetrical, **[medical and major medical expense]**  
4 and other covered health care services and benefits covering  
5 employees of the State and their dependents, and shall execute all  
6 documents pertaining thereto for and on behalf and in the name of  
7 the State.

8 **[The]** b. Except for contracts entered into after June 30, 2007,  
9 the commission shall not enter into a contract under this act unless  
10 the benefits provided thereunder equal or exceed the minimum  
11 standards specified in section 5 of P.L.1961, c.49 (C.52:14-17.29)  
12 for the particular coverage which such contract provides, and unless  
13 coverage is available to all eligible employees and their dependents  
14 on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-  
15 17.31), except that a State employee enrolled in the program on or  
16 after July 1, 2003 and all law enforcement officers employed by the  
17 State for whom there is a majority representative for collective  
18 negotiation purposes may not be eligible for coverage under the  
19 traditional plan as defined in section 2 of P.L.1961, c.49 (C.52:14-  
20 17.26) pursuant to a binding collective negotiations agreement or  
21 pursuant to the application by the commission, in its sole discretion,  
22 of the terms of any collective negotiations agreement binding on the  
23 State to State employees for whom there is no majority  
24 representative for collective negotiations purposes.

25 c. The commission shall not enter into a contract under  
26 P.L.1961, c.49 (C.52:14-17.25 et seq.) after June 30, 2007, unless  
27 the contract includes the successor plan<sup>1</sup>, one or more health  
28 maintenance organization plans<sup>1</sup> and a State managed care plan that  
29 shall be substantially equivalent to the NJ PLUS plan in effect on  
30 June 30, 2007, with adjustments to that plan pursuant to a binding  
31 collective negotiations agreement or pursuant to action by the  
32 commission, in its sole discretion, to apply such adjustments to  
33 State employees for whom there is no majority representative for  
34 collective negotiations purposes, and unless coverage is available to  
35 all eligible employees and their dependents on the basis specified  
36 by section 7 of P.L.1961, c.49 (C.52:14-17.31), except as provided  
37 in subsection d. of this section.

38 d. Eligibility for coverage under the successor plan may be  
39 limited pursuant to a binding collective negotiations agreement or  
40 pursuant to the application by the commission, in its sole discretion,  
41 of the terms of any collective negotiations agreement binding on the  
42 State to State employees for whom there is no majority  
43 representative for collective negotiations purposes. Coverage under  
44 the successor plan and under the State managed care plan required  
45 to be included in a contract entered into pursuant to subsection c. of  
46 this section shall be made available in retirement to all State  
47 employees who accrued 25 years of nonconcurrent service credit in  
48 one or more State or locally-administered retirement systems before

1 July 1, 2007. Coverage under the State managed care plan required  
2 to be included in a contract entered into pursuant to subsection c. of  
3 this section shall be made available in retirement to all State  
4 employees who accrue 25 years of nonconcurrent service credit in  
5 one or more State or locally-administered retirement systems on or  
6 after July 1, 2007.

7 e. Actions taken by the commission before the effective date of  
8 P.L. \_\_\_\_\_, c. \_\_\_\_\_ (pending before the Legislature as this bill) in  
9 anticipation of entering into any contract pursuant to subsection c.  
10 of this section are hereby deemed to have been within the authority  
11 of the commission pursuant to P.L.1961, c.49 (C.52:14-17.25 et  
12 seq.).

13 (cf: P.L.2005, c.341, s.1)

14  
15 22. Section 6 of P.L.1996, c.8 (C.52:14-17.28b) is amended to  
16 read as follows:

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

40 b. (1) Notwithstanding the provisions of any other law to the  
41 contrary, for each State employee who accrues 25 years of  
42 nonconcurrent service credit in one or more State or locally-  
43 administered retirement systems before July 1, 1997, excepting the  
44 employee who elects deferred retirement, the State, upon the  
45 employee's retirement, shall pay the full cost of the premium or  
46 periodic charges for the health benefits provided to a retired State  
47 employee and dependents covered under the State Health Benefits  
48 Program, but not including survivors, and shall also reimburse the

1 retired employee for premium charges under Part B of Medicare  
2 covering the retired employee and the employee's spouse.

3 (2) Notwithstanding the provisions of any other law to the  
4 contrary, and except as otherwise provided by section 8 of  
5 P.L.1961, c.49 (C.52:14-17.32) as amended by P.L.2005, c.341, and  
6 by subsection c. of this section, for each State employee who  
7 accrues 25 years of nonconcurrent service credit in one or more  
8 State or locally-administered retirement systems on or after July 1,  
9 1997, excepting the employee who elects deferred retirement, the  
10 State, upon the employee's retirement, shall pay the premium or  
11 periodic charges for the health benefits provided to a retired State  
12 employee and dependents covered under the State Health Benefits  
13 Program, but not including survivors, and shall reimburse the  
14 retired employee for premium charges under Part B of Medicare  
15 covering the retired employee and the employee's spouse: (a) in  
16 accordance with the provisions, if any, concerning health benefits  
17 coverage in retirement which are in the collective negotiations  
18 agreement applicable to the employee at the time of the employee's  
19 accrual of 25 years of nonconcurrent service credit in one or more  
20 State or locally-administered retirement systems, or (b) if the  
21 employee has no majority representative for collective negotiations  
22 purposes, in a manner consistent with the terms, if any, concerning  
23 health benefits coverage in retirement which are in any collective  
24 negotiations agreement deemed applicable by the State Health  
25 Benefits Commission to that employee at the time of the employee's  
26 accrual of 25 years of nonconcurrent service credit in one or more  
27 State or locally-administered retirement systems. The terms for the  
28 payment of premiums or periodic charges established pursuant to  
29 this paragraph for the traditional plan shall apply to the successor  
30 plan, and the terms for the payment of premiums or periodic  
31 charges established pursuant to this paragraph for the NJ PLUS plan  
32 shall apply to the State managed care plan required to be included  
33 in a contract entered into pursuant to subsection c. of section 4 of  
34 P.L.1961, c.49 (C.52:14-17.28).

35 c. (1) Effective July 1, 2007, but, with respect to employees to  
36 whom this subsection applies who are paid through the State  
37 centralized payroll, effective with the first pay period beginning  
38 after July 1, 2007, the cost of benefits provided pursuant to  
39 P.L.1961, c.49 (C.52:14-17.25 et seq.) shall be shared by employees  
40 through the withholding of a contribution in an amount as  
41 determined in accordance with paragraph (2) of this subsection.

42 (2) The amount of the contribution required pursuant to  
43 paragraph (1) of this subsection as to State employees and  
44 employees of an independent State authority, board, commission,  
45 corporation, agency, or organization for whom there is a majority  
46 representative for collective negotiations purposes shall be  
47 determined by means of a binding collective negotiations  
48 agreement. The amount of the contribution required pursuant to

1 paragraph (1) of this subsection as to State employees or employees  
2 of an independent State authority, board, commission, corporation,  
3 agency, or organization for whom there is no majority  
4 representative for collective negotiations purposes shall be 1.5  
5 percent of base salary.

6 (3) '[The] Except as provided in paragraph (5) of this  
7 subsection, the<sup>1</sup> cost of benefits provided pursuant to P.L.1961, c.49  
8 (C.52:14-17.25 et seq.) shall be shared by retirees<sup>1</sup> to whom this  
9 subsection applies<sup>1</sup> through the withholding of a contribution in an  
10 amount as determined in accordance with paragraph (4) of this  
11 subsection.

12 (4) The amount of the contribution required pursuant to  
13 paragraph (3) of this subsection as to State employees and  
14 employees of an independent State authority, board, commission,  
15 corporation, agency, or organization for whom there is a majority  
16 representative for collective negotiations purposes who accrue 25  
17 years of nonconcurrent service credit in one or more State or  
18 locally-administered retirement systems on or after July 1, 2007,  
19 and who retire on or after July, 1, 2007, excepting employees who  
20 elect deferred retirement, but including those who retire on a  
21 disability pension after July 1, 2007, shall be determined by means  
22 of a binding collective negotiations agreement applicable at the  
23 time of the employee's accrual of 25 years of nonconcurrent service  
24 credit in one or more State or locally-administered retirement  
25 systems. The amount of the contribution required pursuant to  
26 paragraph (3) of this subsection as to State employees or employees  
27 of an independent State authority, board, commission, corporation,  
28 agency, or organization for whom there is no majority  
29 representative for collective negotiations purposes who accrue 25  
30 years of nonconcurrent service credit in one or more State or  
31 locally-administered retirement systems on or after July 1, 2007,  
32 and who retire on or after July 1, 2007, excepting employees who  
33 elect deferred retirement, but including those who retire on a  
34 disability pension after July 1, 2007, shall be determined in a  
35 manner consistent with the terms, if any, concerning health benefits  
36 coverage in retirement which are in any collective negotiations  
37 agreement deemed applicable by the commission to that employee  
38 at the time of the employee's accrual of 25 years of nonconcurrent  
39 service credit in one or more State or locally-administered  
40 retirement systems, except that for employees who accrue 25 years  
41 of nonconcurrent service credit in one or more State or locally-  
42 administered retirement systems in the period beginning July 1,  
43 2007, and ending June 30, 2011, the contribution shall be 1.5  
44 percent of the<sup>1</sup> '[gross maximum]<sup>1</sup> monthly retirement allowance,  
45 including any future cost-of-living adjustments, or, with respect to  
46 retirees<sup>1</sup> for whom there is no majority representative and<sup>1</sup> who are  
47 members of the alternate benefit program, an amount determined

1 pursuant to a formula developed by the commission that shall be  
2 designed to result in a contribution that is comparable to the  
3 contribution that applies to retirees who are not members of the  
4 alternate benefit program.

5 <sup>1</sup>(5) The contribution required pursuant to paragraph (3) of this  
6 subsection shall not take effect until the New Jersey Retirees'  
7 Wellness Program is open for enrollment and thereafter the  
8 contribution shall be waived for a retiree who participates in the  
9 New Jersey Retirees' Wellness Program. The Division of Pensions  
10 and Benefits shall issue a report on the New Jersey Retirees'  
11 Wellness Program. The report shall include, but need not be limited  
12 to, the claims experience with regard to retirees in the program, and  
13 the costs and savings realized. The report shall be issued at the end  
14 of the third year after the program's implementation or by  
15 December 30, 2010, which is earlier. The report shall be submitted  
16 to the Governor, the Legislature, and the State Treasurer.<sup>1</sup>

17 ~~[(5)]~~ (6)<sup>1</sup> Any employee or retiree from whom withholding of a  
18 contribution is required pursuant to this subsection shall not be  
19 required to pay any percentage of the premiums or periodic charges  
20 for health care benefits provided under P.L.1961, c.49 (C.52:14-  
21 17.25 et seq.), other than dental benefits.

22 ~~[(6)]~~ (7)<sup>1</sup> The contribution required pursuant to this subsection  
23 may be terminated only upon withdrawal from all health care  
24 benefits coverage as an employee or retiree, other than coverage for  
25 dental benefits, and the submission to the commission of written  
26 certification by the employee that the employee is covered by other  
27 health care benefits and that those benefits are in force. The  
28 commission shall not apply the written certification requirement to  
29 retirees or to employees to whom Article VI, Section VI, paragraph  
30 6 of the New Jersey Constitution applies.

31 (cf: P.L.2005, c.341, s.2)

32

33 23. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to  
34 read as follows:

35 5. (A) The contract or contracts purchased by the commission  
36 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
37 17.28) shall provide separate coverages or policies as follows:

38 (1) Basic benefits which shall include:

39 (a) Hospital benefits, including outpatient;

40 (b) Surgical benefits;

41 (c) Inpatient medical benefits;

42 (d) Obstetrical benefits; and

43 (e) Services rendered by an extended care facility or by a home  
44 health agency and for specified medical care visits by a physician  
45 during an eligible period of such services, without regard to  
46 whether the patient has been hospitalized, to the extent and subject  
47 to the conditions and limitations agreed to by the commission and  
48 the carrier or carriers.

1 Basic benefits shall be substantially equivalent to those available  
2 on a group remittance basis to employees of the State and their  
3 dependents under the subscription contracts of the New Jersey  
4 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall  
5 include benefits for:

- 6 (i) Additional days of inpatient medical service;
- 7 (ii) Surgery elsewhere than in a hospital;
- 8 (iii) X-ray, radioactive isotope therapy and pathology services;
- 9 (iv) Physical therapy services;
- 10 (v) Radium or radon therapy services;

11 and the extended basic benefits shall be subject to the same  
12 conditions and limitations, applicable to such benefits, as are set  
13 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,  
14 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS  
15 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue  
16 Shield" Plans, respectively, and as the same may be amended or  
17 superseded, subject to filing by the Commissioner of Banking and  
18 Insurance; and

19 (2) Major medical expense benefits which shall provide benefit  
20 payments for reasonable and necessary eligible medical expenses  
21 for hospitalization, surgery, medical treatment and other related  
22 services and supplies to the extent they are not covered by basic  
23 benefits. The commission may, by regulation, determine what types  
24 of services and supplies shall be included as "eligible medical  
25 services" under the major medical expense benefits coverage as  
26 well as those which shall be excluded from or limited under such  
27 coverage. Benefit payments for major medical expense benefits  
28 shall be equal to a percentage of the reasonable charges for eligible  
29 medical services incurred by a covered employee or an employee's  
30 covered dependent, during a calendar year as exceed a deductible  
31 for such calendar year of \$100.00 subject to the maximums  
32 hereinafter provided and to the other terms and conditions  
33 authorized by this act. The percentage shall be 80% of the first  
34 \$2,000.00 of charges for eligible medical services incurred  
35 subsequent to satisfaction of the deductible and 100% thereafter.  
36 There shall be a separate deductible for each calendar year for (a)  
37 each enrolled employee and (b) all enrolled dependents of such  
38 employee. Not more than \$1,000,000.00 shall be paid for major  
39 medical expense benefits with respect to any one person for the  
40 entire period of such person's coverage under the plan, whether  
41 continuous or interrupted except that this maximum may be  
42 reapplied to a covered person in amounts not to exceed \$2,000.00 a  
43 year. Maximums of \$10,000.00 per calendar year and \$20,000.00  
44 for the entire period of the person's coverage under the plan shall  
45 apply to eligible expenses incurred because of mental illness or  
46 functional nervous disorders, and such may be reapplied to a  
47 covered person, except as provided in P.L.1999, c.441 (C.52:14-  
48 17.29d et al.). The same provisions shall apply for retired

1 employees and their dependents. Under the conditions agreed upon  
2 by the commission and the carriers as set forth in the contract, the  
3 deductible for a calendar year may be satisfied in whole or in part  
4 by eligible charges incurred during the last three months of the prior  
5 calendar year.

6 Any service determined by regulation of the commission to be an  
7 "eligible medical service" under the major medical expense benefits  
8 coverage which is performed by a duly licensed practicing  
9 psychologist within the lawful scope of his practice shall be  
10 recognized for reimbursement under the same conditions as would  
11 apply were such service performed by a physician.

12 (B) The contract or contracts purchased by the commission  
13 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
14 17.28) shall include coverage for '[the]' services and benefits 'that  
15 are at a level that is equal to or exceeds the level of services and  
16 benefits' set forth in this subsection, provided that such services  
17 and benefits shall include only those that are eligible medical  
18 services and not those deemed experimental, investigative or  
19 otherwise not eligible medical services. The determination of  
20 whether services or benefits are eligible medical services shall be  
21 made by the commission consistent with the best interests of the  
22 State and participating employers, employees, and dependents. The  
23 following list of services is not intended to be exclusive or to  
24 require that any limits or exclusions be exceeded.

25 Covered services shall include:

26 (1) Physician services, including:

27 (a) Inpatient services, including:

28 (i) medical care including consultations;

29 (ii) surgical services and services related thereto; and

30 (iii) obstetrical services including normal delivery,  
31 cesarean section, and abortion.

32 (b) Outpatient/out-of-hospital services, including:

33 (i) office visits for covered services and care;

34 (ii) allergy testing and related diagnostic/therapy  
35 services;

36 (iii) dialysis center care;

37 (iv) maternity care;

38 (v) well child care;

39 (vi) child immunizations/lead screening;

40 (vii) routine adult physicals including pap,  
41 mammography, and prostate examinations; and

42 (viii) annual routine obstetrical/gynecological exam.

43 (2) Hospital services, both inpatient and outpatient, including:

44 (a) room and board;

45 (b) intensive care and other required levels of care;

46 (c) semi-private room;

47 (d) therapy and diagnostic services;

- 1           (e) surgical services or facilities and treatment related  
2           thereto;  
3           (f) nursing care;  
4           (g) necessary supplies, medicines, and equipment for care;  
5       and  
6           (h) maternity care and related services.  
7       (3) Other facility and services, including:  
8           (a) approved treatment centers for medical  
9           emergency/accidental injury;  
10          (b) approved surgical center;  
11          (c) hospice;  
12          (d) chemotherapy;  
13          (e) diagnostic x-ray and lab tests;  
14          (f) ambulance;  
15          (g) durable medical equipment;  
16          (h) prosthetic devices;  
17          (i) foot orthotics;  
18          (j) diabetic supplies and education; and  
19          (k) oxygen and oxygen administration.  
20       (4) All services for which coverage is required pursuant to  
21       P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and  
22       supplemented. Benefits under the contract or contracts purchased  
23       as authorized by the State Health Benefits Program shall include  
24       those for mental health services subject to limits and exclusions  
25       consistent with the provisions of the New Jersey State Health  
26       Benefits Program Act.  
27       (C) The contract or contracts purchased by the commission  
28       pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
29       17.28) shall include the following provisions regarding  
30       reimbursements and payments:  
31           (1) In the successor plan, the co-payment for doctor's office  
32           visits shall be \$10 per visit with a maximum out-of-pocket of \$400  
33           per individual and \$1,000 per family for in-network services for  
34           each calendar year. The out-of-network deductible shall be \$100  
35           per individual and \$250 per family for each calendar year, and the  
36           participant shall receive reimbursement for out-of-network charges  
37           at the rate of 80% of reasonable and customary charges, provided  
38           that the out-of-pocket maximum shall not exceed \$2,000 per  
39           individual and \$5,000 per family for each calendar year.  
40           (2) In the State managed care plan that is required to be included  
41           in a contract entered into pursuant to subsection c. of section 4 of  
42           P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office  
43           visits shall be \$15 per visit. The participant shall receive  
44           reimbursement for out-of-network charges at the rate of 70% of  
45           reasonable and customary charges. The in-network and out-of-  
46           network limits, exclusions, maximums, and deductibles shall be  
47           substantially equivalent to those in the NJ PLUS plan in effect on  
48           June 30, 2007, with adjustments to that plan pursuant to a binding



1 collective negotiations agreement or pursuant to action by the  
2 commission, in its sole discretion, to apply such adjustments to  
3 State employees for whom there is no majority representative for  
4 collective negotiations purposes.

5 (3) “Reasonable and customary charges” means charges based  
6 upon the 90th percentile of the usual, customary, and reasonable  
7 (UCR) fee schedule determined by the Health Insurance  
8 Association of America or a similar nationally recognized database  
9 of prevailing health care charges.

10 **[(B)] (D)** Benefits under the contract or contracts purchased as  
11 authorized by this act may be subject to such limitations,  
12 exclusions, or waiting periods as the commission finds to be  
13 necessary or desirable to avoid inequity, unnecessary utilization,  
14 duplication of services or benefits otherwise available, including  
15 coverage afforded under the laws of the United States, such as the  
16 federal Medicare program, or for other reasons.

17 Benefits under the contract or contracts purchased as authorized  
18 by this act shall include those for the treatment of alcoholism where  
19 such treatment is prescribed by a physician and shall also include  
20 treatment while confined in or as an outpatient of a licensed  
21 hospital or residential treatment program which meets minimum  
22 standards of care equivalent to those prescribed by the Joint  
23 Commission on Hospital Accreditation. No benefits shall be  
24 provided beyond those stipulated in the contracts held by the State  
25 Health Benefits Commission.

26 **[(C)] (E)** The rates charged for any contract purchased under  
27 the authority of this act shall reasonably and equitably reflect the  
28 cost of the benefits provided based on principles which in the  
29 judgment of the commission are actuarially sound. The rates  
30 charged shall be determined by the carrier on accepted group rating  
31 principles with due regard to the experience, both past and  
32 contemplated, under the contract. The commission shall have the  
33 right to particularize subgroups for experience purposes and rates.  
34 No increase in rates shall be retroactive.

35 **[(D)] (F)** The initial term of any contract purchased by the  
36 commission under the authority of this act shall be for such period  
37 to which the commission and the carrier may agree, but permission  
38 may be made for automatic renewal in the absence of notice of  
39 termination by the commission. Subsequent terms for which any  
40 contract may be renewed as herein provided shall each be limited to  
41 a period not to exceed one year.

42 **[(E) The] (G)** A contract purchased by the commission  
43 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
44 17.28) shall contain a provision that if basic benefits or major  
45 medical expense benefits of an employee or of an eligible  
46 dependent under the contract, after having been in effect for at least  
47 one month in the case of basic benefits or at least three months in  
48 the case of major medical expense benefits, is terminated, other

1 than by voluntary cancellation of enrollment, there shall be a 31-  
2 day period following the effective date of termination during which  
3 such employee or dependent may exercise the option to convert,  
4 without evidence of good health, to converted coverage issued by  
5 the carriers on a direct payment basis. Such converted coverage  
6 shall include benefits of the type classified as "basic benefits" or  
7 "major medical expense benefits" in subsection (A) hereof and shall  
8 be equivalent to the benefits which had been provided when the  
9 person was covered as an employee. The provision shall further  
10 stipulate that the employee or dependent exercising the option to  
11 convert shall pay the full periodic charges for the converted  
12 coverage which shall be subject to such terms and conditions as are  
13 normally prescribed by the carrier for this type of coverage.

14 **[(F)] (H)** The commission may purchase a contract or contracts  
15 to provide drug prescription and other health care benefits or  
16 authorize the purchase of a contract or contracts to provide drug  
17 prescription and other health care benefits as may be required to  
18 implement a duly executed collective negotiations agreement or as  
19 may be required to implement a determination by a public employer  
20 to provide such benefit or benefits to employees not included in  
21 collective negotiations units.

22 (I) The commission shall take action as necessary, in  
23 cooperation with the School Employees' Health Benefits  
24 Commission established pursuant to section 33 of P.L. , c.  
25 (C. ) (pending before the Legislature as this bill), to effectuate  
26 the purposes of the School Employees' Health Benefits Program  
27 Act as provided in sections 31 through 41 of P.L. , c. (C. )  
28 (pending before the Legislature as this bill) and to enable the  
29 School Employees' Health Benefits Commission to begin providing  
30 coverage to participants pursuant to the School Employees' Health  
31 Benefits Program Act as of July 1, 2008.

32 (cf: P.L.1999, c.441, s.3)

33

34 24. Section 1 of P.L.2001, c.284 (C.52:14-17.29g) is amended to  
35 read as follows:

36 1. a. The State Health Benefits Commission shall ensure that  
37 every contract purchased by the commission on or after the  
38 effective date of **[this act]** P.L.2001, c.284 (C.52:14-17.29g)  
39 provides that if an enrollee's or member's primary care physician's  
40 contract as a participating physician in a health maintenance  
41 organization or **[NJ PLUS]** State managed care plan will be  
42 terminated, the health maintenance organization or **[NJ PLUS]**  
43 State managed care plan, as appropriate, shall provide the enrollee  
44 or member with 90-days notice of the termination. If 90-days  
45 notice cannot be provided because the termination will occur prior  
46 to the end of the 90-day period, the health maintenance organization  
47 or **[NJ PLUS]** State managed care plan shall notify the enrollee or

1 member as soon as the health maintenance organization or [NJ  
2 PLUS] State managed care plan has knowledge of the termination.

3 b. Notwithstanding the provisions of any policy governing  
4 open enrollment to the contrary, an enrollee or member who has  
5 been notified by a health maintenance organization or [NJ PLUS]  
6 State managed care plan pursuant to this section may change his  
7 coverage to another health benefits plan under the State Health  
8 Benefits Program upon receiving notice that his primary care  
9 physician will no longer be a participating physician with the health  
10 maintenance organization or [NJ PLUS] State managed care plan,  
11 in which the person is currently enrolled.

12 (cf: P.L.2001, c.284, s.1)

13

14 25. Section 7 of P.L.1961, c.49 (C.52:14-17.31) is amended to  
15 read as follows:

16 7. The coverage provided solely for employees shall, subject to  
17 the provisions below, automatically become effective for all eligible  
18 employees from the first day on or after the effective date of the  
19 program on which they satisfy the definition of "employee"  
20 contained in this act. The commission shall establish the rules and  
21 regulations governing the enrollment and effective dates of  
22 coverage of dependents of employees it deems necessary or  
23 desirable. The rules and regulations shall not defer coverage with  
24 respect to any qualified dependent an employee has on the date the  
25 employee's employer becomes a participating employer, provided  
26 the employee was, immediately prior to the date, insured with  
27 respect to the dependent under a group [major medical] insurance  
28 plan of the employer which was in effect immediately prior to the  
29 date. Under the rules and regulations established by the  
30 commission, each employee shall be given the opportunity to enroll  
31 for coverage for dependents as of the earliest date the employee  
32 becomes eligible for enrollment. [An] With respect to the  
33 traditional plan, an employee may elect to enroll dependents for  
34 both basic coverage and major medical expense coverage but may  
35 not enroll for either coverage alone.

36 [If, on the date coverage for an employee would become  
37 effective, the employee is not actively at work full- time at the  
38 customary place of employment or other location to which the  
39 employment requires the employee to travel, the employee shall not  
40 be covered until the employee is so actively at work, except the  
41 employee shall be covered, if on the date the employee's employer  
42 becomes a participating employer, the employee was, immediately  
43 prior to that date, insured under a group major medical insurance  
44 plan of the employer which was in effect immediately prior to that  
45 date.]

46 In the event that the group [major medical] health plan which  
47 covered an employee or dependents immediately prior to the date

1 the employee's employer becomes a participating employer  
2 provides, after termination of coverage thereunder, any continuation  
3 of benefits [for medical expenses for hospitalization, surgery,  
4 medical treatment or any related service or supply], or would so  
5 provide in the absence of coverage pursuant to this act, no coverage  
6 shall be afforded pursuant to this act for any such expenses (i)  
7 which are covered, or which would be covered in the absence of  
8 coverage pursuant to this act, in whole or in part, by the prior  
9 insurance plan or (ii) which may be used in satisfaction of any  
10 deductible requirement under the prior insurance plan to establish  
11 entitlement to the continuation of benefits.

12 Each employee shall furnish the Division of Pensions and  
13 Benefits, in the prescribed form, the information necessary on  
14 account of the employee's own coverage and necessary to enroll  
15 dependents. Any employee not desiring coverage at the time the  
16 employee first becomes eligible, shall give the division written  
17 notice of that fact in the form prescribed by the division. The  
18 employee may not enroll thereafter except at the times and under  
19 the conditions prescribed by the commission.

20 If an employee of an employer other than the State eligible for  
21 coverage has a spouse who is also an employee of an employer  
22 other than the State eligible for coverage, the spouse may elect  
23 single coverage as an employee and to enroll as a dependent, in  
24 which event no coverage shall be provided for such spouse as an  
25 employee while covered as a dependent. The employee of an  
26 employer other than the State, who has enrolled such spouse, and  
27 who is required to pay the full cost of dependent coverage, may  
28 receive a refund from the State Division of Pensions and Benefits  
29 equivalent in amount to the employer's cost for an employee's  
30 coverage. When both husband and wife are covered as employees,  
31 only one may enroll for their children as dependents.

32 A similar refund shall be authorized pursuant to such rules and  
33 regulations as the commission deems necessary or desirable in the  
34 case of an employee of an employer other than the State who is  
35 paying the full cost of dependent coverage for a spouse who is an  
36 employee of the State and eligible for coverage.

37 If a husband and wife are both eligible for coverage under the  
38 program as employees:

39 a. each may elect coverage for himself or herself as an employee  
40 and for their qualified dependents, including the spouse, [under the  
41 traditional plan or the State managed care plan] in any plan offered  
42 other than a health maintenance organization, but only one may  
43 elect coverage for himself or herself and for their qualified  
44 dependents, including the spouse, in a participating health  
45 maintenance organization; and

46 b. each may elect single coverage in any participating health  
47 maintenance organization, provided that he or she is not covered

1 under the participating health maintenance organization as a  
2 dependent of his or her spouse.

3 Any person employed as a substitute teacher by a school district  
4 and who provides evidence of coverage under another health  
5 benefits program may waive coverage for the current school year on  
6 or after the date on which the person becomes an employee eligible  
7 for coverage.

8 (cf: P.L.1996, c.8, s.5)

9

10 26. Section 1 of P.L.2003, c.142 (C.52:14-17.32n) is amended to  
11 read as follows:

12 1. a. A qualified member of the organized militia, as defined in  
13 N.J.S.38A:1-1, and the member's dependents, as defined in section  
14 2 of P.L.1961, c.49 (C.52:14-17.26), shall be eligible to participate  
15 in the State Health Benefits Program and be covered under the  
16 "State managed care plan", as defined in section 2 of P.L.1961, c.49  
17 (C.52:14-17.26), in accordance with the law and rules governing the  
18 program and plan, except as otherwise provided by this act ,  
19 P.L.2003, c.142 (C.52:14-17.32n). **【Notwithstanding any other law**  
20 **to the contrary, a qualified member of the organized militia and the**  
21 **member's dependants shall be enrolled in NJ Plus.】**

22 A qualified member is a member who is called to State active  
23 duty by an order of the Governor issued pursuant to law, when the  
24 written order directly applicable to that member states that active  
25 duty shall be for a period of 30 days within a 35 consecutive day  
26 period, provided the member (1) is not a compensated, full-time  
27 appointed or elected public officer or employee of the State or any  
28 political subdivision thereof when called to active duty; (2) had  
29 employer-provided health care benefits coverage that was cancelled  
30 due to the member's military service or does not have employer-  
31 provided health care benefits coverage; and (3) is not covered for  
32 health care benefits under a program, plan or policy as a dependent  
33 of the member's spouse when called to active duty. For the limited  
34 purpose of this act, a qualified member shall be deemed a State  
35 employee, as defined in section 2 of P.L.1961, c.49 (C.52:14-  
36 17.26).

37 The member may waive coverage provided pursuant to this  
38 section by notifying the Division of Pensions and Benefits in  
39 writing.

40 b. The Department of Military and Veterans' Affairs shall  
41 notify the Division of Pensions and Benefits of the members who  
42 are eligible for health care benefits coverage pursuant to this  
43 section, and shall notify the members themselves of the coverage  
44 provided, by whatever means deemed efficient and expeditious.

45 c. The State Health Benefits Program shall not provide  
46 coverage for health care services and supplies provided to a member  
47 or the member's dependents prior to first day of active duty. The  
48 department, or the member when so requested, shall provide to the

1 division all information necessary on account of the member's  
2 coverage and to enroll the member's dependents pursuant to  
3 applicable law and regulations governing the program and plan. If  
4 information is not provided to the division in a timely manner,  
5 coverage shall commence only upon receipt by the division of all  
6 information deemed necessary by the division to provide the  
7 coverage. The division shall make such accommodation and  
8 provision for the addition of the member and the member's  
9 dependents to the program and plan as may be necessary under the  
10 circumstances.

11 d. The coverage provided pursuant to this section shall be  
12 extended for health care services and supplies commencing on the  
13 first day of active duty service until the last day of active duty  
14 service, provided the information requirements in subsection c. of  
15 this section are met in a timely manner.

16 e. The State shall be liable for the premium or periodic charges  
17 for the coverage for the qualified member and member's  
18 dependents, including the program's expenses for the administration  
19 of this section, in such amount as determined and fixed by the State  
20 Health Benefits Commission. The commission shall annually  
21 certify to the State the cost for providing health care benefits  
22 coverage to qualified members and their dependents under this  
23 section. The State shall annually remit to the commission the  
24 amount certified at a time specified by the State Treasurer.

25 f. If a member or the member's dependents, or both, have  
26 health care benefits coverage, other than through the member's  
27 spouse, immediately preceding the call to active duty and that  
28 coverage continues, or is eligible to continue, during active duty  
29 status, the coverage provided pursuant to this section shall only be  
30 secondary to that primary coverage and shall not cover expenses  
31 which are covered, or which would be covered in the absence of  
32 coverage pursuant to this section, in whole or in part, by that prior  
33 existing coverage. If that coverage is terminated through the action  
34 or inaction of the member, the member's spouse or the member's  
35 employer, other than pursuant to terms and conditions in effect  
36 immediately preceding the call to active duty, the coverage under  
37 this section shall also terminate.

38 This section shall not be deemed to replace, supersede or modify  
39 health care benefits coverage received by the member, the member's  
40 spouse or dependents immediately preceding the call to active duty.

41 g. Health care benefits coverage shall be provided pursuant to  
42 this section only if the provision of such coverage by the State  
43 Health Benefits Program does not violate applicable federal statutes  
44 in a manner that would change the nature, governance or status of  
45 the program.

46 h. The Treasurer, in consultation with the Adjutant General,  
47 shall adopt regulations to effectuate the purposes of this act  
48 pursuant to the "Administrative Procedure Act", P.L.1968, c.410

1 (C.52:14B-1 et seq.), except that the Treasurer may immediately  
2 adopt regulations the Division of Pensions and Benefits deems  
3 necessary to implement the provisions of this act, upon the filing of  
4 such regulations with the Office of Administrative Law.

5 (cf: P.L.2003, c.142, s.1)

6  
7 27. Section 1 of P.L.2003, c.172 (C.52:14-17.33a) is amended to  
8 read as follows:

9 1. a. Notwithstanding any provision of P.L.1961, c. 49 (C.52:14-  
10 17.25 et seq.) to the contrary, a part-time State employee, or a part-  
11 time faculty member, including part-time lecturers and adjunct  
12 faculty members, at a State public institution of higher education in  
13 this State if the public institution of higher education participates in  
14 the program, who is enrolled in a State-administered retirement  
15 system shall be eligible to participate in the State Health Benefits  
16 Program and may purchase health benefits coverage under the  
17 program in the State managed care plan as defined in section 2 of  
18 P.L.1961, c.49 (C.52:14-17.26) for the employee or faculty member  
19 and the dependents of the employee or faculty member. If such an  
20 employee or faculty member elects to enroll in the program, the  
21 employee or faculty member shall pay the full cost of the coverage  
22 selected and the employer shall not be responsible for any costs in  
23 connection with the purchase of the coverage, unless the employer  
24 shall be obligated to pay all or a portion of such costs in accordance  
25 with the provisions of a binding collective negotiations agreement.

26 b. The State Health Benefits Commission may establish rules  
27 and regulations concerning the enrollment and termination of  
28 coverage of employees and faculty members in the State Health  
29 Benefits Program, pursuant to this section, and the procedures for  
30 the remittance to the program of the cost of coverage.

31 The employee or faculty member shall also be required to pay a  
32 proportionate share of administrative expenses of the program in  
33 such amounts and at such times as shall be determined and fixed by  
34 the commission. Amounts payable by a participating employee or  
35 faculty member for administrative expenses shall be collected in the  
36 same manner as premiums or periodic charges are paid and remitted  
37 to the State treasury and shall be used for such purposes.

38 c. The laws and regulations governing the State Health  
39 Benefits Program, except as modified in this section, are applicable  
40 to enrollments in the program under this section and shall be  
41 construed to apply to part-time employees or faculty members and  
42 their dependents in the same manner as to full-time employees or  
43 faculty members and their dependents to the extent possible.

44 d. Participation in the State Health Benefits Program pursuant  
45 to this section shall not qualify the employee or faculty member for  
46 employer or State-paid health care benefits in retirement in the  
47 program. Upon retirement, such employees or faculty members  
48 shall be permitted to enroll in the State managed care plan they

1 were enrolled in prior to retirement through the retired group at  
2 their own expense.

3 e. The State Health Benefits Commission shall advise eligible  
4 employees, and the State public institutions of higher education  
5 shall advise eligible faculty members, that they may enroll in the  
6 State Health Benefits Program pursuant to this section and shall  
7 further advise eligible employees and faculty members, as may be  
8 appropriate, of any benefits to which they are entitled upon the  
9 termination of their employment. The State Health Benefits  
10 Commission shall determine the manner and form of the advisory  
11 notice to the employees and faculty members.

12 (cf: P.L.2003, c.172, s.1)

13

14 28. Section 3 of P.L.1964, c.125 (C.52:14-17.34) is amended to  
15 read as follows:

16 3. In order that the New Jersey State Health Benefits Program  
17 Act may be extended to include other public **[and school]**  
18 employees, participation by counties, municipalities, **[school**  
19 **districts,]** public agencies or organizations as defined in section 71  
20 of P.L.1954, c.84 (C.43:15A-71), including the New Jersey  
21 Turnpike Authority, **[the New Jersey Highway Authority,]** the  
22 Interstate Environmental Commission, the Delaware River Basin  
23 Commission, New Jersey Housing and Mortgage Finance Agency,  
24 New Jersey Educational Facilities Authority, **[Hackensack]** New  
25 Jersey Meadowlands [Development] Commission and the  
26 Compensation Rating and Inspection Bureau, hereinafter defined as  
27 employers, is hereby authorized, provided, however, that no such  
28 employer shall enroll for coverage under the State Health Benefits  
29 Program pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.)  
30 employees as defined in section 32 of  
31 P.L. , c. (C. )(pending before the Legislature as this bill).

32 (cf: P.L.2000, c.6, s.18)

33

34 29. Section 4 of P.L.1964, c.125 (C.52:14-17.35) is amended to  
35 read as follows:

36 4. As used in this act and in the act to which this act is a  
37 supplement:

38 (a) The term "employer" means a county, municipality, **[school**  
39 **district,]** public agency or organization as defined in section 71 of  
40 P.L.1954, c.84 (C.43:15A-71), including the New Jersey Turnpike  
41 Authority, **[the New Jersey Highway Authority,]** the Interstate  
42 Environmental Commission, the Delaware River Basin  
43 Commission, New Jersey Housing and Mortgage Finance Agency,  
44 New Jersey Educational Facilities Authority, **[Hackensack]** New  
45 Jersey Meadowlands [Development] Commission and the  
46 Compensation Rating and Inspection Bureau. The term "employer"  
47 shall include a subsidiary corporation or other corporation



1 established by the Delaware River Port Authority pursuant to  
2 subdivision (m) of Article I of the compact creating the authority  
3 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-  
4 146), except that only persons who are employees of the South  
5 Jersey Port Corporation on the effective date of P.L.1997, c.150  
6 (C.34:1B-144 et al.) and are re-employed by the subsidiary or other  
7 corporation within 365 days of the effective date are eligible to  
8 participate in the program.

9 (b) The term "State Treasury" means the State agency  
10 responsible for the administration of the New Jersey State Health  
11 Benefits Program Act which is to be located in the Division of  
12 Pensions and Benefits in the Department of the Treasury.  
13 (cf: P.L.2000, c.6, s.19)

14

15 30. Section 5 of P.L.1993, c.8 (C.52:14-17.38b) is amended to  
16 read as follows:

17 5. Notwithstanding the provisions of any other law, rule, or  
18 regulation to the contrary, any local board of education may elect to  
19 participate in the State Health Benefits Program upon the  
20 termination of any contract in effect on the effective date of this  
21 amendatory and supplementary act, P.L.1993, c.8 (C.52:14-17.38b  
22 et al.), between the board of education and an insurance company  
23 writing insurance pursuant to Title 17B of the New Jersey Statutes,  
24 hospital service corporation, medical service corporation, health  
25 service corporation, or health maintenance organization to provide  
26 hospital and medical expense benefits. Such election shall be in  
27 accordance with the laws and regulations otherwise applicable to  
28 participation by employers other than the State in the program. If  
29 the board does not elect to participate in the State Health Benefits  
30 Program at that time, its eligibility to elect such participation  
31 thereafter shall be subject to the time period specified by the State  
32 Health Benefits Commission for participating again in the State  
33 Health Benefits Program after a participant's withdrawal from the  
34 program. No such election shall be permitted after June 30, 2008.

35 (cf: P.L.1993, c.8, s.5)

36

37 31. (New section) Sections 31 through 41 of  
38 P.L. , c. (C. )(pending before the Legislature as this bill)  
39 shall be known and may be cited as the "School Employees' Health  
40 Benefits Program Act."

41

42 32. (New section) As used in the School Employees' Health  
43 Benefits Program Act, sections 31 through 41 of  
44 P.L. , c. (C. )(pending before the Legislature as this bill):

45 a. The term "State" means the State of New Jersey.

46 b. The term "commission" means the School Employees' Health  
47 Benefits Commission, created by section 33 of

1 P.L. , c. (C. )(pending before the Legislature as this  
2 bill).

3 c. The term “employer” means local school district, regional  
4 school district, county vocational school district, county special  
5 services school district, jointure commission, educational services  
6 commission, State-operated school district, charter school, county  
7 college, any officer, board, or commission under the authority of  
8 the Commissioner of Education or of the State Board of Education,  
9 and any other public entity which is established pursuant to  
10 authority provided by Title 18A of the New Jersey Statutes, but  
11 excluding the State public institutions of higher education and  
12 excluding those public entities where the employer is the State of  
13 New Jersey.

14 d. The term “employee” means a person employed in any full  
15 time capacity by an employer, and shall include persons defined as  
16 a school employee by the regulations of the State Health Benefits  
17 Commission in effect on the effective date of the School  
18 Employees’ Health Benefits Program Act. “Full-time” shall have  
19 the same meaning as in the regulation of the State Health Benefits  
20 Commission regarding local coverage in effect on the effective date  
21 of the School Employees’ Health Benefits Program Act. The term  
22 “employee” shall not include persons employed on a short-term,  
23 seasonal, intermittent, or emergency basis, persons compensated on  
24 a fee basis, persons having less than two months of continuous  
25 service or persons whose compensation is limited to reimbursement  
26 of necessary expenses actually incurred in the discharge of their  
27 official duties. An employee paid on a 10-month basis, pursuant to  
28 an annual contract, shall be deemed to have satisfied the two-month  
29 waiting period if the employee begins employment at the beginning  
30 of the contract year. The term “employee” shall also not include  
31 retired persons who are otherwise eligible for benefits under the  
32 School Employees’ Health Benefits Program but who, although  
33 they meet the age or disability eligibility requirement of Medicare,  
34 are not covered by Medicare Hospital Insurance, also known as  
35 Medicare Part A, and Medicare Medical Insurance, also known as  
36 Medicare Part B. A determination by the commission that a person  
37 is an eligible employee for the purposes of the School Employees’  
38 Health Benefits Program shall be final and binding on all parties.

39 e. The term “dependents” means an employee’s spouse,  
40 domestic partner, or partner in a civil union couple, and unmarried  
41 children under the age of 23 years who live in a regular parent/child  
42 relationship. “Children” shall include stepchildren, legally adopted  
43 children and children placed by the Division of Youth and Family  
44 Services in the Department of Children and Families, provided they  
45 are reported for coverage and are wholly dependent upon the  
46 employee for support and maintenance. A spouse, domestic  
47 partner, partner in a civil union couple, or child enlisting or  
48 inducted into military service shall not be considered a dependent

1 during the military service. The term "dependents" shall not  
2 include spouses, domestic partners, or partners in a civil union  
3 couple, of retired persons who are otherwise eligible for the benefits  
4 under the School Employees' Health Benefits Program but who,  
5 although they meet the age or disability eligibility requirement of  
6 Medicare, are not covered by Medicare Hospital Insurance, also  
7 known as Medicare Part A, and Medicare Medical Insurance, also  
8 known as Medicare Part B.

9 f. The term "carrier" means a voluntary association, corporation  
10 or other organization, including but not limited to a health  
11 maintenance organization as defined in section 2 of the "Health  
12 Maintenance Organizations Act," P.L.1973, c.337 (C.26:2J-2),  
13 which is lawfully engaged in providing or paying for or reimbursing  
14 the cost of, personal health services, including hospitalization,  
15 medical and surgical services under insurance policies or contracts,  
16 membership or subscription contracts, or the like, in consideration  
17 of premiums or other periodic charges payable to the carrier.

18 g. The term "hospital" means:

19 (1) an institution operated pursuant to law which is primarily  
20 engaged in providing on its own premises, for compensation from  
21 its patients, medical diagnostic and major surgical facilities for the  
22 care and treatment of sick and injured persons on an inpatient basis,  
23 and which provides such facilities under the supervision of a staff  
24 of physicians and with 24 hour a day nursing service by registered  
25 graduate nurses, or

26 (2) an institution not meeting all of the requirements of  
27 paragraph (1) but which is accredited as a hospital by the Joint  
28 Commission on Accreditation of Hospitals. In no event shall the  
29 term "hospital" include a convalescent nursing home or any  
30 institution or part thereof which is used principally as a  
31 convalescent facility, residential center for the treatment and  
32 education of children with mental disorders, rest facility, nursing  
33 facility or facility for the aged or for the care of drug addicts or  
34 alcoholics.

35 h. The term "Medicare" means the program established by the  
36 "Health Insurance for the Aged Act," Title XVIII of the "Social  
37 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
38 or its successor plan or plans.

39 i. The term "managed care plan" means a health care plan under  
40 which comprehensive health care services and supplies are provided  
41 to eligible employees, retirees, and dependents: (1) through a group  
42 of doctors and other providers employed by the plan; or (2) through  
43 an individual practice association, preferred provider organization,  
44 or point of service plan under which services and supplies are  
45 furnished to plan participants through a network of doctors and  
46 other providers under contracts or agreements with the plan on a  
47 prepayment or reimbursement basis and which may provide for  
48 payment or reimbursement for services and supplies obtained

1 outside the network. The plan may be provided on an insured basis  
2 through contracts with carriers or on a self-insured basis, and may  
3 be operated and administered by the State or by carriers under  
4 contracts with the State.

5 j. The term "successor plan" means a managed care plan that  
6 shall replace the "traditional plan," as defined in section 2 of  
7 P.L.1961, c.49 (C.52:14-17.26), and that shall provide benefits as  
8 set forth in section 36 of P.L. , c. (C. )(pending before the  
9 Legislature as this bill), and provide out-of-network benefits to  
10 participants with a payment by the plan of 80% of reasonable and  
11 customary charges as set forth in section 37 of  
12 P.L. , c. (C. )(pending before the Legislature as this bill) and  
13 as may be adjusted in accordance with section 40 of  
14 P.L. , c. (C. )(pending before the Legislature as this bill).

15

16 33. (New section) a. There is hereby created a School  
17 Employees' Health Benefits Commission, consisting of nine  
18 members:

19 (1) the State Treasurer and the Commissioner of the Department  
20 of Banking and Insurance serving ex officio;

21 (2) a member appointed by the Governor who is a New Jersey  
22 resident and is qualified by experience, education, or training in the  
23 review, administration, or design of health insurance plans for self-  
24 insured employers;

25 (3) a member appointed by the Governor from among three  
26 persons nominated by the New Jersey School Boards' Association,  
27 which member shall be qualified by experience, education, or  
28 training in the review, administration, or design of health insurance  
29 plans for self-insured employers;

30 (4) three members appointed by the Governor from among five  
31 persons nominated by the New Jersey Education Association, of  
32 whom two shall be qualified by experience, education, or training in  
33 the review, administration, or design of health insurance plans for  
34 self-insured employers;

35 (5) a member appointed by the Governor from among three  
36 persons nominated by the education section of the New Jersey State  
37 AFL-CIO, which member shall be qualified by experience,  
38 education, or training in the review, administration, or design of  
39 health insurance plans for self-insured employers; and

40 (6) a member appointed pursuant to subsection b. of this section  
41 who shall be the chairperson.

42 b. The Governor shall appoint the chairperson from among three  
43 persons nominated jointly by at least six of the eight members  
44 appointed pursuant to subsection a. of this section.

45 c. If the Governor declines to make an appointment from among  
46 the persons nominated for membership, the Governor shall request  
47 that a new list of nominees be provided in compliance with  
48 subsection a. of this section. If the Governor declines to make an

1 appointment from the new list, the process set forth in this  
2 subsection shall be repeated until the Governor makes an  
3 appointment from a list of nominees. Except with respect to the  
4 appointment of the chairperson, if a new list of nominees is not  
5 submitted within 45 days of the Governor's request, the Governor  
6 shall make the appointment without the need to select from any list  
7 of nominees.

8 d. The initial terms of the members of the commission shall be  
9 as follows:

10 (1) the member appointed pursuant to paragraph (3) of  
11 subsection a. of this section and the two members appointed  
12 pursuant to paragraph (4) of subsection a. of this section who are  
13 required to be qualified by experience, education, or training shall  
14 serve for a term of three years;

15 (2) the member appointed pursuant to paragraph (2) of  
16 subsection a. of this section, the member appointed pursuant to  
17 paragraph (4) of subsection a. of this section who is not required to  
18 be qualified by experience, education, or training, and the member  
19 appointed pursuant to paragraph (5) of subsection a. of this section  
20 shall serve for a term of two years; and

21 (3) the chairperson shall serve for a term of six years.

22 All subsequent terms shall be for three years, except that the  
23 term of the chairperson shall be five years. A member of the  
24 commission may be reappointed to succeeding terms without limit  
25 in the same manner as the original appointment. A vacancy  
26 occurring on the commission shall be filled in the same manner as  
27 the original appointment and only for the unexpired term.

28

29 34. (New section) The School Employees' Health Benefits  
30 Program, authorized by sections 31 through 41 of  
31 P.L. , c. (C. )(pending before the Legislature as this bill),  
32 shall be administered in the Department of the Treasury.  
33 Administrative services required by the commission shall be  
34 provided through the Division of Pensions and Benefits, and the  
35 Director of the Division of Pensions and Benefits shall be the  
36 secretary of the commission. The commission shall establish a  
37 health benefits program for the school employees of the State, the  
38 cost of which shall be paid as specified in this act. The commission  
39 shall, by a majority vote of its full authorized membership, establish  
40 and change rules and regulations as may be deemed reasonable and  
41 necessary for the administration of this act. Until such rules and  
42 regulations are established, the rules and regulations of the State  
43 Health Benefits Commission shall be deemed to apply to the School  
44 Employees' Health Benefits Program.

45 The Attorney General shall be the legal advisor of the  
46 commission.

1 The members of the commission shall serve without  
2 compensation but shall be reimbursed for any necessary  
3 expenditure.

4 The commission shall ensure that audits and reviews are  
5 performed as required by section 40 of P.L. , c. (C. ) (pending  
6 before the Legislature as this bill). Actions of the commission  
7 related to such audits and reviews shall require a majority vote of  
8 the full authorized membership of the commission to be approved.

9 Except as otherwise specified in this act, actions of the  
10 commission shall require the affirmative vote of a majority of the  
11 members present at a meeting at which a majority of the full  
12 authorized membership is present.

13

14 35. (New section) a. The commission shall negotiate with and  
15 arrange for the purchase, on such terms as it deems in the best  
16 interests of the State, participating employers and those persons  
17 covered hereunder from carriers licensed to operate in the State or  
18 in other jurisdictions, as appropriate, contracts providing benefits  
19 required by the School Employees' Health Benefits Program Act, as  
20 specified in section 36 of P.L. , c. (C. )(pending before the  
21 Legislature as this bill), or such benefits as the commission may  
22 determine to provide, so long as such modification of benefits are in  
23 the best interests of the State, participating employers and those  
24 persons covered hereunder, and are consistent with the provisions  
25 of section 40 of that act. The commission shall have authority to  
26 execute all documents pertaining thereto for and on behalf of the  
27 State. The commission shall not enter into a contract under the  
28 School Employees' Health Benefits Program Act, unless the  
29 benefits provided thereunder are equal to or exceed the standards  
30 specified in section 36 of that act, or as such standards are modified  
31 pursuant to section 40 of that act.

32 b. The rates charged for any contract purchased under the  
33 authority of the School Employees' Health Benefits Program Act  
34 shall reasonably and equitably reflect the cost of the benefits  
35 provided based on principles which in the judgment of the  
36 commission are actuarially sound. The rates charged shall be  
37 determined based upon accepted group rating principles with due  
38 regard to the experience, both past and contemplated, under the  
39 contract. The commission shall have the right to particularize  
40 subgroups for experience purposes and rates. No increase in rates  
41 shall be retroactive.

42 c. The commission shall be authorized to accept an assignment  
43 of contract rights from or enter into an agreement, contract,  
44 memorandum of understanding or other terms with the State Health  
45 Benefits Commission to ensure that coverage for eligible  
46 employees, retirees and dependents under the School Employees'  
47 Health Benefits Program whose benefits had been provided through  
48 the State Health Benefits Program is continued without interruption.

1 The transition provided for in this subsection shall occur within one  
2 year of the effective date of the School Employees' Health Benefits  
3 Program Act, sections 31 through 41 of  
4 P.L. , c. (C. )(pending before the Legislature as this bill).

5 d. Benefits under the contract or contracts purchased as  
6 authorized by the School Employees' Health Benefits Program Act  
7 may be subject to such limitations, exclusions, or waiting periods as  
8 the commission finds to be necessary or desirable to avoid inequity,  
9 unnecessary utilization, duplication of services or benefits  
10 otherwise available, including coverage afforded under the laws of  
11 the United States, such as the federal Medicare program, or for  
12 other reasons.

13 e. The initial term of any contract purchased by the commission  
14 under the authority of the School Employees' Health Benefits  
15 Program Act shall be for such period to which the commission and  
16 the carrier may agree, but permission may be made for automatic  
17 renewal in the absence of notice of termination by the commission.  
18 Subsequent terms for which any contract may be renewed as herein  
19 provided shall each be limited to a period not to exceed one year.

20

21 36. (New section) a. Notwithstanding the provisions of any  
22 other law to the contrary, the commission shall not enter into a  
23 contract under the School Employees' Health Benefits Program Act,  
24 sections 31 through 41 of P.L. , c. (C. )(pending before the  
25 Legislature as this bill), for the benefits provided pursuant to the  
26 act, unless the level of benefits provided under the contract entered  
27 into is equal to or exceeds the level of benefits provided in this  
28 section, or as modified pursuant to section 40 of that act. Only  
29 benefits for medically necessary services that are not deemed  
30 experimental, investigative or otherwise not eligible medical  
31 services shall be provided. The determination that services are not  
32 "eligible medical services" shall be made by the commission  
33 consistent with the best interests of the State, participating  
34 employers and those persons covered hereunder. Benefits for  
35 services provided pursuant to the School Employees' Health  
36 Benefits Act shall be subject to limits or exclusions consistent with  
37 those that apply to benefits provided pursuant to the New Jersey  
38 State Health Benefits Program Act. The services provided pursuant  
39 to this section shall include all services, subject to applicable limits  
40 and exclusions, provided through the State Health Benefits Program  
41 as of July 1, 2007. The list of services in subsection b. of this  
42 section is not intended to be exclusive or to require that any limits  
43 or exclusions be exceeded.

44 b. The services covered hereunder by the School Employees'  
45 Health Benefits Program shall include:

46 (1) Physician services, including:

47 (a) Inpatient services, including:

48 (i) medical care including consultations;

- 1           (ii) surgical services and services related thereto; and  
2           (iii) obstetrical services including normal delivery,  
3 cesarean section, and abortion.
- 4           (b) Outpatient/out-of-hospital services, including:  
5           (i) office visits for covered services and care;  
6           (ii) allergy testing and related diagnostic/therapy  
7           services;  
8           (iii) dialysis center care;  
9           (iv) maternity care;  
10          (v) well child care;  
11          (vi) child immunizations/lead screening;  
12          (vii) routine adult physicals including pap, mammography,  
13          and prostate examinations; and  
14          (viii) annual routine obstetrical/gynecological exam.
- 15          (2) Hospital services, both inpatient and outpatient, including:  
16          (a) room and board;  
17          (b) intensive care and other required levels of care;  
18          (c) semi-private room;  
19          (d) therapy and diagnostic services;  
20          (e) surgical services or facilities and treatment related  
21          thereto;  
22          (f) nursing care;  
23          (g) necessary supplies, medicines, and equipment for care;  
24          and  
25          (h) maternity care and related services.
- 26          (3) Other facility and services, including:  
27          (a) approved treatment centers for medical emergency/  
28          accidental injury;  
29          (b) approved surgical center;  
30          (c) hospice;  
31          (d) chemotherapy;  
32          (e) diagnostic x-ray and lab tests;  
33          (f) ambulance;  
34          (g) durable medical equipment;  
35          (h) prosthetic devices;  
36          (i) foot orthotics;  
37          (j) diabetic supplies and education; and  
38          (k) oxygen and oxygen administration.
- 39          c. Benefits under the contract or contracts purchased as  
40 authorized by the School Employees' Health Benefits Program Act  
41 shall include those for the treatment of alcoholism where such  
42 treatment is prescribed by a physician and shall also include  
43 treatment while confined in or as an outpatient of a licensed  
44 hospital or residential treatment program which meets minimum  
45 standards of care equivalent to those prescribed by the Joint  
46 Commission on Hospital Accreditation. No benefits shall be  
47 provided beyond those stipulated in the contracts held by the School  
48 Employees' Health Benefits Commission.



1 d. Benefits under the contract or contracts purchased as  
2 authorized by the School Employees' Health Benefits Program Act  
3 shall include those for mental health services subject to limits and  
4 exclusions consistent with those that apply to benefits for such  
5 services pursuant to the New Jersey State Health Benefits Program  
6 Act. Coverage for biologically-based mental illness, as defined in  
7 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in  
8 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).

9 e. Coverage provided under the School Employees' Health  
10 Benefits Program Act shall include coverage for all services for  
11 which coverage is mandated in the State Health Benefits Program  
12 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).

13 f. (1) As used in this subsection:

14 (a) "brand name" means the proprietary or trade name assigned  
15 to a drug product by the manufacturer or distributor of the drug  
16 product.

17 (b) "carrier" means an insurance company, hospital, medical, or  
18 health service corporation, preferred provider organization, or  
19 health maintenance organization under agreement or contract with  
20 the commission to administer the School Employee Prescription  
21 Drug Plan.

22 (c) "School Employee Prescription Drug Plan" means the plan  
23 for providing payment for eligible prescription drug expenses of  
24 members of the School Employees' Health Benefits Program and  
25 their eligible dependents.

26 (d) "generic drug products" means prescription drug products  
27 and insulin approved and designated by the United States Food and  
28 Drug Administration as therapeutic equivalents for reference listed  
29 drug products. The term includes drug products listed in the New  
30 Jersey Generic Formulary by the Drug Utilization Review Council  
31 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

32 (e) "mail-order pharmacy" means the mail order program  
33 available through the carrier.

34 (f) "preferred brands" means brand name prescription drug  
35 products and insulin determined by the carrier to be more cost  
36 effective alternative for prescription drug products and insulin with  
37 comparable therapeutic efficacy within a therapeutic class, as  
38 defined or recognized in the United States Pharmacopeia or the  
39 American Hospital Formulary Service Drug Information, or by the  
40 American Society of Health Systems Pharmacists. A drug product  
41 for which there is no other therapeutically equivalent drug product  
42 shall be a preferred brand. Determinations of preferred brands by  
43 the carrier shall be subject to review and modification by the  
44 commission.

45 (g) "retail pharmacy" means a pharmacy, drug store or other  
46 retail establishment in this State at which prescription drugs are  
47 dispensed by a registered pharmacist under the laws of this State, or  
48 a pharmacy, drug store or other retail establishment in another state

1 at which prescription drug products are dispensed by a registered  
2 pharmacist under the laws of that state if expenses for prescription  
3 drug products dispensed at the pharmacy, drug store, or other retail  
4 establishment are eligible for payment under the School Employee  
5 Prescription Drug Plan.

6 (h) "other brands" means prescription drug products which are  
7 not preferred brands or generic drug products. A new drug product  
8 approved by the United States Food and Drug Administration which  
9 is not a generic drug product shall be included in this category until  
10 the carrier makes a determination concerning inclusion of the drug  
11 product in the list of preferred brands.

12 (2) (a) Employers that participate in the School Employees'  
13 Health Benefits Program may offer to their employees and eligible  
14 dependents:

15 (i) enrollment in the School Employee Prescription Drug Plan,  
16 or

17 (ii) enrollment in another free-standing prescription drug plan, or

18 (iii) election of prescription drug coverage under their health  
19 care coverage through the School Employees' Health Benefits  
20 Program plan or as otherwise determined by the commission.

21 (b) A co-payment shall be required for each prescription drug  
22 expense if the employer chooses to participate in the School  
23 Employee Prescription Drug Plan. The initial amounts of the co-  
24 payments shall be the same as those in effect on July 1, 2007 for the  
25 employee prescription drug plan offered through the State Health  
26 Benefits Program.

27 (c) If the employer elects to offer a free-standing prescription  
28 drug plan, the employee's share of the cost for this prescription drug  
29 plan may be determined by means of a binding collective  
30 negotiations agreement, including any agreements in force at the  
31 time the employer commences participation in the School  
32 Employees' Health Benefits Program.

33 (d) If an employee declines the employer's offering of a free-  
34 standing prescription drug plan, no reimbursement for prescription  
35 drugs shall be provided under the health care coverage through the  
36 School Employees' Health Benefits Program plan in which the  
37 employee is enrolled.

38 (e) Prescription drug classifications that are not eligible for  
39 coverage under the employer's prescription drug plan shall also not  
40 be eligible for coverage under the health care coverage through the  
41 School Employees' Health Benefits Program plan except as  
42 federally or State mandated.

43 (f) If the employer elects to not offer a free-standing  
44 prescription drug plan, then the employer shall offer prescription  
45 drug coverage under the health care coverage through the School  
46 Employees' Health Benefits Program plan or as determined by the  
47 commission. Any plan that has in-network and out-of-network  
48 coverage shall cover prescription drugs at 90% in-network and at

1 the out-of-network rate applicable to health care coverage in the  
2 plan. The out-of-pocket amounts paid towards prescription drugs  
3 shall be combined with out-of-pocket medical payments to reach all  
4 out-of-pocket maximums.

5 (g) Health care coverages through the School Employees'  
6 Health Benefits Program that only have in-network benefits shall  
7 include a prescription card with co-payment amounts the same as  
8 those in effect on July 1, 2007 for such coverages offered through  
9 the State Health Benefits Program.

10 (h) In the fifth year following the initial appointment of all of its  
11 members, the commission shall, as part of the fifth year audit and  
12 review undertaken pursuant to section 40 of that act, review the  
13 prescription drug program established in this subsection and may  
14 make changes in the program pursuant to the terms of section 40 by  
15 majority vote of the full authorized membership of the commission.

16

17 37. (New section) Beginning with the initial year of the School  
18 Employees' Health Benefits Program, the commission shall offer to  
19 participating employers and to qualified employees, retirees and  
20 dependents a managed care plan in which the office co-payment  
21 amount shall be \$10 per visit with a maximum out-of-pocket of  
22 \$400 per individual and \$1,000 per family for in-network services  
23 for each calendar year. The out-of-network deductible shall be \$100  
24 per individual and \$250 per family for each calendar year with the  
25 plan paying for 80% of reasonable and customary charges as  
26 defined herein up to an out-of-pocket maximum that shall not  
27 exceed \$2,000 per individual and \$5,000 per family for each  
28 calendar year.

29 In the successor plan, the in-network out-of-pocket payments  
30 shall count toward the out-of-network out-of-pocket maximums.  
31 Any lifetime maximum for out-of-network services shall not be less  
32 than any maximums in effect under the State Health Benefits  
33 Program as of July 1, 2007. There shall be no lifetime maximum  
34 for in-network services.

35 The carrier that administers the successor plan shall make  
36 available to the plan participants through in-network and out-of-  
37 network providers access to physicians and hospitals sufficient in  
38 geographic scope and number to provide access to health care  
39 services that is substantially equivalent to the access to health care  
40 services available through the State Health Benefits Program as of  
41 July 1, 2007.

42 Beginning with the initial year of the School Employees' Health  
43 Benefits Program, the commission shall be authorized to offer to  
44 participating employers and qualified employees, retirees and  
45 dependents managed care plans in which the in-network per visit  
46 charge shall not exceed \$15 per visit and the out of network  
47 reimbursement shall be 70% of reasonable and customary charges

1 as defined herein, provided the in-network and out-of-network  
2 maximums and deductibles do not exceed the limits set forth above.

3 The amounts of maximums, co-pays, deductibles, and other  
4 participant costs shall be reviewed, as part of the fifth year audit  
5 undertaken pursuant to section 40 of P.L. , c. (C. )(pending  
6 before the Legislature as this bill). The commission shall make  
7 changes in such amounts pursuant to section 40 by majority vote of  
8 the full authorized membership of the commission.

9 “Reasonable and customary charges” means, for any out-of-  
10 network payment made by a carrier, charges based upon the 90th  
11 percentile of the usual, customary, and reasonable (UCR) fee  
12 schedule determined by the Health Insurance Association of  
13 America or a similar nationally recognized database of prevailing  
14 health care charges.

15 Beginning with the initial year of the School Employees’ Health  
16 Benefits Program, the commission shall offer to participating  
17 employers and qualified employees, retirees and dependents one or  
18 more health maintenance organization plans.

19

20 38. (New section) a. Retirees and eligible dependents who  
21 participate in the School Employees’ Health Benefits Program shall  
22 be eligible to participate in the School Retiree Prescription Drug  
23 Plan. The definitions in subsection f. of section 36 of  
24 P.L. , c. (C. )(pending before the Legislature as this bill) shall  
25 apply to the School Retiree Prescription Drug Plan.

26 b. There shall be no annual deductible amount that retirees or  
27 their eligible dependents shall be required to satisfy before  
28 eligibility for payment of prescription drug expenses under the  
29 School Retiree Prescription Drug Plan.

30 c. Eligibility of prescription drug expenses for coverage under  
31 the School Retiree Prescription Drug Plan shall be determined on  
32 the same basis as reasonable and necessary medical expenses under  
33 the School Employees’ Health Benefits Program.

34 d. A co-payment shall be required for each prescription drug  
35 expense until a retiree or eligible dependent satisfies the maximum  
36 annual out-of-pocket expense for a calendar year prescribed in  
37 subsection f. of this section. The amounts of the co-payments shall  
38 be the same as those in effect as of July 1, 2007 for retiree  
39 prescription drug coverage under the State Health Benefits  
40 Program. The commission shall promulgate rules that shall  
41 establish a formula for a reasonable annual escalator to the amount  
42 of co-payment.

43 e. The supply of a drug product eligible for coverage under the  
44 School Retiree Prescription Drug Plan for each prescription drug  
45 expense shall be limited to 30 days if the prescription is filled at a  
46 retail pharmacy, and 90 days if the prescription is filled through the  
47 mail-order pharmacy.

1 f. The amount of out-of-pocket expense that a retiree or eligible  
2 dependent shall pay in a calendar year for eligible prescription drug  
3 expenses under the School Retiree Prescription Drug Plan shall be  
4 limited in the first year of the plan to the amount in effect on July 1,  
5 2007 for retiree prescription drug coverage under the State Health  
6 Benefits Program. The commission shall promulgate rules that  
7 shall establish a formula for a reasonable annual escalator to the  
8 amount of out-of-pocket expense.

9 g. In the fifth year following the initial appointment of all of its  
10 members, the commission shall, as part of the fifth year audit and  
11 review undertaken pursuant to section 40 of  
12 P.L. , c. (C. )(pending before the Legislature as this bill),  
13 review the amounts established in this section and make any  
14 changes that it deems appropriate pursuant to section 40 of  
15 P.L. , c. (C. )(pending before the Legislature as this bill) by  
16 majority vote of the full authorized membership of the commission.  
17

18 39. (New section) a. For each active covered employee and for  
19 the eligible dependents the employee may have enrolled at the  
20 employee's option, from funds appropriated therefor, the employer  
21 shall pay to the commission the premium or periodic charges for the  
22 benefits provided under the contract in amounts equal to the  
23 premium or periodic charges for the benefits provided under such a  
24 contract covering the employee and the employee's enrolled  
25 dependents.

26 b. The obligations of any employer to pay the premium or  
27 periodic charges for health benefits coverage provided under the  
28 School Employees' Health Benefits Program Act, sections 31  
29 through 41 of P.L. , c. (C. )(pending before the Legislature as  
30 this bill), may be determined by means of a binding collective  
31 negotiations agreement, including any agreement in force at the  
32 time the employer commences participation in the School  
33 Employees' Health Benefits Program. With respect to employees  
34 for whom there is no majority representative for collective  
35 negotiations purposes, the employer may, in its sole discretion,  
36 modify the respective payment obligations set forth in law for the  
37 employer and such employees in a manner consistent with the terms  
38 of any collective negotiations agreement binding on the employer.

39 c. There is hereby established a School Employee Health  
40 Benefits Program fund consisting of all contributions to premiums  
41 and periodic charges remitted to the State treasury by participating  
42 employers for employee coverage. All such contributions shall be  
43 deposited in the fund and the fund shall be used to pay the portion  
44 of the premium and periodic charges attributable to employee and  
45 dependent coverage.

46 d. Notwithstanding any law to the contrary, the payment in full  
47 of premium or periodic charges for eligible retirees and their  
48 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-

1 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section  
2 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without  
3 alteration or interruption and there shall be no premium sharing or  
4 periodic charges for school employees in retirement once they have  
5 met the criteria for vesting for pension benefits, which criteria for  
6 purposes of this subsection only shall mean the criteria for vesting  
7 in the Teachers' Pension and Annuity Fund. For purposes of this  
8 subsection, "premium sharing or periodic charges" shall mean  
9 payments by eligible retirees based upon a proportion of the  
10 premiums for health care benefits.

11

12 40. (New section) a. The School Employees' Health Benefits  
13 Commission shall publish annually, at least 30 days prior to the  
14 commencement of the open enrollment period for that year, a report  
15 showing the fiscal transactions of the program for the preceding  
16 calendar year and stating other facts pertinent to the program and all  
17 participating employers.

18 b. At the same time as the annual report is published, the  
19 commission shall publish an audit report of the program's costs and  
20 the aggregate usage of plan participants during the preceding  
21 calendar year, which audit shall be prepared by a qualified  
22 independent auditor selected by the commission in accordance with  
23 applicable laws regarding selection of auditing services. The  
24 independent auditor shall include in its report specific  
25 recommendations that are projected to result in cost savings to the  
26 State and to participating employers.

27 The specific recommendations to be submitted in the annual  
28 audit report shall include, but not be limited to, savings achievable  
29 through disease management, prescription benefit management, and  
30 elimination of administrative and program inefficiencies. In  
31 addition, the annual audit may recommend changes to the benefits  
32 provided under the School Employees' Health Benefits Program  
33 that improve the overall ability to retain and attract eligible  
34 employees.

35 c. The commission shall submit the annual report and annual  
36 audit report to the Governor and the Legislature, and shall make  
37 these reports available to every participating employer.

38 d. At the start of the fifth year following the initial appointment  
39 of all of its members, and at the start of every fifth year thereafter,  
40 the commission shall contract with an independent, qualified  
41 auditor, separate from the person performing the annual audit  
42 described in subsection b. of this section, for a comprehensive  
43 review and audit of all elements of the program, as well as the plan  
44 design and structure for each plan offered by the commission. The  
45 auditor shall be qualified by experience, training, resources, and  
46 education to perform intensive audits of public health insurance  
47 plans that are of a similar size and scope and shall be familiar with  
48 benefit designs of employers that are eligible but do not participate

1 in the commission. The auditor shall be selected in accordance with  
2 applicable law.

3 e. Each fifth year review and audit shall be the annual audit for  
4 that year and the review shall include all of the elements contained  
5 in the annual audit plus the additional reviews set forth in this  
6 subsection. In addition to performing the tasks of the annual audit,  
7 the auditor selected for a fifth year review shall review the program  
8 costs, plan design, and plan structure and may issue  
9 recommendations for cost sharing measures, including  
10 modifications of co-payments, deductibles, out-of-pocket  
11 maximums, limits, exclusions, and other measures to be considered  
12 for implementation by the commission. The commission is  
13 authorized to implement such recommendations pursuant to  
14 majority vote of the full authorized membership of the commission.

15 The commission shall submit the five-year review and audit  
16 report to the Governor and the Legislature and shall make the report  
17 available to every participating employer.

18

19 41. (New section) All provisions of P.L.1961, c.49 (C.52:14-  
20 17.25 et seq.) applicable to the State Health Benefits Program shall,  
21 except as expressly stated in the School Employees' Health Benefits  
22 Program Act, be construed as applicable to participating employers  
23 and to their employees and to dependents of such employees, and to  
24 retirees and to dependents of such retirees, in the School  
25 Employees' Health Benefits Program.

26

27 42. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to  
28 read as follows:

29 3. A qualified retiree from the Teachers' Pension and Annuity  
30 Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified retiree,  
31 but not including survivors, are eligible to participate in the  
32 [program] State Health Benefits Program until June 30, 2008, and  
33 beginning July 1, 2008, in the School Employees' Health Benefits  
34 Program, regardless of whether the retiree's employer participated  
35 in the program.

36 A qualified retiree is a retiree who:

37 a. Retired on a benefit based on 25 or more years of service  
38 credit;

39 b. Retired on a disability pension based on fewer years of  
40 service credit; or

41 c. Elected deferred retirement based on 25 or more years of  
42 service credit and who receives a retirement allowance.

43 The program shall reimburse a qualified retiree who participates  
44 in the program for the premium charges under Part B of the federal  
45 medicare program for the retiree and the retiree's spouse. A  
46 qualified retiree who retired under subsections a. and b. of this  
47 section prior to the effective date of this 1987 amendatory and  
48 supplementary act is eligible for the coverage if the retiree applies

1 to the program for it within one year after the effective date, and a  
2 qualified retiree as defined under subsection c. of this section whose  
3 retirement allowance commenced prior to the effective date of this  
4 1992 amendatory act is eligible for the coverage if the retiree  
5 applies to the program for it within one year after the effective date.

6 The premium or periodic charges for benefits provided to a  
7 qualified retiree and the dependents of the retiree, and the cost for  
8 reimbursement of medicare premiums shall be paid by the  
9 **【Teachers' Pension and Annuity Fund】** State.

10 (cf: P.L.1994, c.62, s.12)

11  
12 43. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to  
13 read as follows:

14 2. **【a.】** Pension adjustment benefits for members and  
15 beneficiaries of the Teachers' Pension and Annuity Fund as  
16 provided by the "Pension Adjustment Act," P.L.1958, c.143  
17 (C.43:3B-1 et seq.), shall be paid by the retirement system and shall  
18 be funded as employer obligations by the same method provided by  
19 law for the funding of employer obligations for the basic retirement  
20 benefits provided by the retirement system.

21 **【b. Health care benefits for qualified retirees and their**  
22 **dependents as provided by section 3 of P.L.1987, c.384 (C.52:14-**  
23 **17.32f) shall be funded and paid by the retirement system through a**  
24 **separate fund or trust of the retirement system in accordance with**  
25 **the requirements of the federal Internal Revenue Code. Beginning**  
26 **with the actuarial valuation period ending March 31, 1994, the**  
27 **actuary of the retirement system shall annually compute a**  
28 **contribution to fund these health care benefits which shall be the**  
29 **amount necessary to pay the anticipated premiums or periodic**  
30 **charges for the benefits for the following valuation period and to**  
31 **provide that the balance in the fund as of the end of the following**  
32 **valuation period shall be increased by 1/2 of 1% of the salary of the**  
33 **active members for the valuation period, except that contributions**  
34 **to increase the balance in the fund shall not be made in State fiscal**  
35 **years 2002 and 2003. Beginning with the actuarial valuation period**  
36 **ending June 30, 2002, the contribution shall be computed to provide**  
37 **that the balance in the fund shall be increased by 3/5 of 1% of the**  
38 **salary of the active members for the valuation period. Any monies**  
39 **in a separate fund or trust maintained by the retirement system to**  
40 **pay for health care benefits for qualified retirees and their**  
41 **dependents as provided in this section may be used in State fiscal**  
42 **year 2002 to pay the premiums or periodic charges for the benefits.**  
43 **If the assets in the fund are insufficient to pay the premiums or**  
44 **periodic charges for the benefits, they shall be paid directly by the**  
45 **State. Nothing hereinabove shall alter health care benefits for**  
46 **qualified retirees and their dependents or relieve the State from its**  
47 **acknowledged obligation to fund the benefits.】**

48 (cf: P.L.2002, c.11, s.1)



1       44. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to  
2 read as follows:

3       2. **[a.]** Pension adjustment benefits for members and  
4 beneficiaries of the Public Employees' Retirement System provided  
5 by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et  
6 seq.), shall be paid by the retirement system and shall be funded as  
7 employer obligations by the same method provided by law for the  
8 funding of employer obligations for the basic retirement benefits  
9 provided by the retirement system. Normal and accrued liability  
10 contributions for pension adjustment benefits for active employees  
11 of employers other than the State shall be determined for the 1992  
12 valuation year and shall be phased in so that the level of recognition  
13 of the full normal and accrued liability contributions for the State  
14 and other employers shall be 20% for valuation year 1992 and 24%  
15 for valuation year 1993, and shall be increased by 2.24% for each  
16 valuation year thereafter until the full normal and accrued liability  
17 contributions are fully recognized.

18       **[b.]** Health care benefits for retired State employees and their  
19 dependents for which the State is required to pay the premiums or  
20 periodic charges under the "New Jersey State Health Benefits  
21 Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be  
22 funded and paid by the retirement system through a separate fund or  
23 trust of the retirement system in accordance with the requirements  
24 of the federal Internal Revenue Code. Beginning with the actuarial  
25 valuation period ending March 31, 1994, the actuary of the  
26 retirement system shall annually compute a contribution to fund  
27 these health care benefits which shall be the amount necessary to  
28 pay the anticipated premiums or periodic charges for the benefits  
29 for the following valuation period and to provide that the balance in  
30 the fund as of the end of the following valuation period shall be  
31 increased by 1/2 of 1% of the salary of the active members for the  
32 valuation period, except that contributions to increase the balance in  
33 the fund shall not be made in State fiscal years 2002 and 2003.  
34 Beginning with the actuarial valuation period ending June 30, 2002,  
35 the contribution shall be computed to provide that the balance in the  
36 fund shall be increased by 3/5 of 1% of the salary of the active  
37 members for the valuation period. Any monies in a separate fund or  
38 trust maintained by the retirement system to pay for health care  
39 benefits for qualified retirees and their dependents as provided in  
40 this section may be used in State fiscal year 2002 to pay the  
41 premiums or periodic charges for the benefits. If the assets in the  
42 fund are insufficient to pay the premiums or periodic charges for  
43 the benefits, they shall be paid directly by the State. Nothing  
44 hereinabove shall alter health care benefits for qualified retirees and  
45 their dependents or relieve the State from its acknowledged  
46 obligation to fund the benefits. **]**

47 (cf: P.L.2002, c.11, s.2)

1       45. Section 3 of P.L.1993, c.8 (C.52:14-17.38c) is amended to  
2 read as follows:

3       3. With respect to any policy or contract between a local board  
4 of education and an insurance company writing insurance pursuant  
5 to Title 17B of the New Jersey Statutes, hospital service  
6 corporation, medical service corporation, health service corporation,  
7 or health maintenance organization which provides hospital or  
8 medical expense benefits:

9       a. upon the commencement of any policy or contract entered  
10 into after the effective date of this amendatory and supplementary  
11 act, P.L.1993, c.8 (C.52:14-17.38b et al.); or

12       b. in the case of any policy or contract in effect as of the  
13 effective date of this act, no earlier than the second anniversary date  
14 after the effective date of this act of any such policy or contract, the  
15 insurance company, hospital service corporation, medical service  
16 corporation, health service corporation, or health maintenance  
17 organization shall annually pay to the State Health Benefits  
18 Program a surcharge in the form of a percentage of the claims paid  
19 by the insurance company, hospital service corporation, medical  
20 service corporation, health service corporation, or health  
21 maintenance organization which are attributable to the coverage of  
22 the employees of the board and their dependents for the time period  
23 from July 1 through the following June 30, except that if the  
24 commencement or the second anniversary date of the policy or  
25 contract occurs after July 1, the initial surcharge shall be prorated  
26 for the remainder of that year from July 1 through the following  
27 June 30. The surcharge shall be paid on or before December 31 of  
28 the time period for which it is payable in the manner prescribed  
29 hereinafter, except that if the commencement or second anniversary  
30 date of the policy or contract occurs on or after November 1, an  
31 estimated initial surcharge shall be paid no later than the end of the  
32 sixth month following the commencement or anniversary date of the  
33 policy or contract or July 1 following the commencement or  
34 anniversary date of the policy or contract, whichever is earlier, and  
35 the actual surcharge payable for the initial time period shall be  
36 determined and adjustments, if any, shall be made to the surcharge  
37 payable for the succeeding time period in the manner prescribed  
38 hereinafter.

39       The initial surcharge percentage for the time period July 1, 1993  
40 through June 30, 1994 shall be 3.25%. The State Treasurer shall  
41 thereafter annually redetermine the surcharge percentage, which  
42 shall be the percentage of total claims paid for active employees and  
43 for retired employees receiving health care coverage under the State  
44 Health Benefits Program pursuant to section 3 of P.L.1987, c.384  
45 (C.52:14-17.32f) or subsection a. of section 2 of P.L.1992, c.126  
46 (C.52:14-17.32f1) who are not eligible for Medicare which is  
47 reasonably attributable to the excess claim cost for these retired  
48 employees. The State Treasurer shall annually provide an estimated

1 surcharge percentage based upon the claims paid for the 12 months  
2 immediately preceding the time period for which the surcharge is  
3 payable. Except as otherwise provided herein in the case of the  
4 initial surcharge, each organization shall pay to the State Health  
5 Benefits Program an estimated surcharge on or before December 31  
6 of the time period for which the surcharge is payable, which shall  
7 be the amount determined by multiplying the total claims paid by  
8 the organization for the coverage for the 12 months immediately  
9 preceding the time period for which the surcharge is payable by the  
10 estimated surcharge percentage. Within three months after the time  
11 period for which the surcharge is payable, the State Treasurer shall  
12 determine the actual surcharge percentage for the time period based  
13 upon the actual claims experience for the period. The surcharge for  
14 the succeeding time period shall be increased or decreased, as  
15 appropriate, by the difference between the estimated surcharge paid  
16 and the surcharge due based upon the actual claims experience.

17 This section shall apply to any policy or contract in which the  
18 insurer has reserved the right to change the premium.

19 Beginning July 1, 2008, a reference to the State Health Benefits  
20 Program in this section shall mean the School Employees' Health  
21 Benefits Program, established pursuant to sections 31 through 41 of  
22 P.L. , c. (C. )(pending before the Legislature as this bill).  
23 (cf: P.L.1993, c.8, s.3)  
24

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

27 8. a. The **【basic coverage and the major medical】** health care  
28 benefits coverage of any employee, and the employee's dependents,  
29 if any, shall cease upon the discontinuance of the term of office or  
30 employment or upon cessation of active full-time employment  
31 subject to such regulations as may be prescribed by the commission  
32 for limited continuance of **【basic coverage and major medical】**  
33 coverage during disability, part-time employment, leave of absence  
34 or lay off, and for continuance of **【basic coverage and major**  
35 **medical】** coverage after retirement, any such continuance after  
36 retirement to be provided at such rates and under such conditions as  
37 shall be prescribed by the commission, subject, however, to the  
38 requirements hereinafter set forth in this section. Notwithstanding  
39 the provisions of any law to the contrary, for law enforcement  
40 officers employed by the State for whom there is a majority  
41 representative for collective negotiation purposes, and for  
42 nonaligned sworn members of the Division of State Police who  
43 retire after July 1, 2005, the coverage options available to such  
44 employees in retirement shall be limited to those options that were  
45 available to the employee on the employee's last day of  
46 employment. The commission may also establish regulations  
47 prescribing an extension of coverage when an employee or  
48 dependent is totally disabled at termination of coverage.

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

20       c. (1) From funds appropriated therefor, the State shall pay the  
21 premium or periodic charges for the benefits provided to a retired  
22 State employee and the employee's dependents covered under the  
23 program, but not including survivors, if such employee retired from  
24 one or more State or locally-administered retirement systems on a  
25 benefit or benefits based in the aggregate on 25 years or more of  
26 nonconcurrent service credited in the retirement systems, excluding  
27 service credited under the Defined Contribution Retirement  
28 Program established pursuant to P.L.2007, c.92 (C.43:15C-1 et al.),  
29 and excepting the employee who elected deferred retirement, but  
30 including the employee who retired on a disability pension based on  
31 fewer years of service credited in the retirement systems and shall  
32 also reimburse such retired employee for the premium charges  
33 under Part B of the federal medicare program covering the retired  
34 employee and the employee's spouse. In the case of full-time  
35 employees of the Rutgers University Cooperative Extension  
36 Service, service credited in the federal Civil Service Retirement  
37 System (5 U.S.C.s.8331 et seq.) which was earned as a result of  
38 full-time employment at Rutgers University, may be considered  
39 alone or in combination with service credited in one or more State  
40 or locally-administered retirement systems for the purposes of  
41 establishing the minimum 25-year service requirement to qualify for  
42 the benefits provided in this section. Any full-time employee of the  
43 Rutgers University Cooperative Extension Service who meets the  
44 eligibility requirements set forth in this amendatory act shall be  
45 eligible for the benefits provided in this section, provided that at the  
46 time of retirement such employee was covered by the State Health  
47 Benefits Program and elected to continue such coverage into  
48 retirement.

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

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

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

40 (cf: P.L.2007, c.92, s.29)

41

42 47. Section 1 of P.L.1989, c.127 (C.52:14-17.32g) is amended to  
43 read as follows:

44 1. Notwithstanding any other provisions of P.L.1961, c.49  
45 (C.52:14-17.25 et seq.) to the contrary, the **【basic benefits and the**  
46 **major medical expense】** health care benefits of any employee of an  
47 employer with at least three years of service under a permanent  
48 appointment with that employer and any dependent of the employee

1 may be continued and the premiums for the coverage may be paid  
2 by the employer during any approved leave of absence of the  
3 employee with or without pay, for a period of up to two years.

4 For the purposes of this section "employer" means a local board  
5 of education, regional board of education, county college,  
6 educational services commission, jointure commission, county  
7 special services school district, county vocational-technical school  
8 district, or any board or commission under the authority of the  
9 Commissioner of Education, or State Board of Education, as the  
10 case may be.

11 (cf: P.L.1989, c.127, s.1)

12

13 48. (New section) Effective July 1, 2007, health care benefits  
14 for retired State employees and their dependents for which the State  
15 is required to pay the premiums or periodic charges under the "New  
16 Jersey State '[" Health Benefits Program Act," P.L.1961, c.49  
17 (C.52:14-17.25 et seq.), shall be funded and paid by the State  
18 through a separate fund established in the Department of the  
19 Treasury. Beginning with the valuation period ending June 30,  
20 2007, the Director of the Division of Pensions and Benefits shall  
21 annually compute a contribution to fund these health care benefits  
22 which shall be the amount necessary to pay the anticipated  
23 premiums or periodic charges for the benefits for the following  
24 valuation period and to provide that the balance in the fund as of the  
25 end of the following valuation period shall be increased by 3/5 of  
26 1% of the salary of the active members for the valuation period. If  
27 the assets in the fund are insufficient to pay the premiums or  
28 periodic charges for the benefits, they shall be paid directly by the  
29 State. Nothing herein above shall alter health care benefits for  
30 qualified retirees and their dependents or relieve the State from its  
31 acknowledged obligation to fund the benefits.

32

33 49. (New section) Effective July 1, 2007, health care benefits  
34 for qualified retirees and their dependents as provided by section 3  
35 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126  
36 (C.52:14-17.32f1) and section 1 of P.L.1995, c.357 (C.52:14-  
37 17.32f2) shall be funded and paid by the State through a separate  
38 fund established in the Department of the Treasury. Beginning with  
39 the valuation period ending June 30, 2007, the Director of the  
40 Division of Pensions and Benefits shall annually compute a  
41 contribution to fund these health care benefits which shall be the  
42 amount necessary to pay the anticipated premiums or periodic  
43 charges for the benefits for the following valuation period and to  
44 provide that the balance in the fund as of the end of the following  
45 valuation period shall be increased by 3/5 of 1% of the salary of the  
46 active members for the valuation period. If the assets in the fund  
47 are insufficient '["or are not used"]' to pay the premiums or periodic  
48 charges for the benefits, such premiums or periodic charges shall be

1 paid directly by the State. Nothing hereinabove shall alter health  
2 care benefits for qualified retirees and their dependents or relieve  
3 the State from its acknowledged obligation to fund the benefits.

4  
5 '50. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to  
6 read as follows:

7 5. a. There is hereby established in the Division of Investment a  
8 State Investment Council which shall consist of ~~[11]~~ 13 members.

9 (1) Each of the following agencies, namely, the Board of  
10 Trustees of the Public Employees' Retirement System, the Board of  
11 Trustees of the State Police Retirement System, the Board of  
12 Trustees of the Teachers' Pension and Annuity Fund, and the Board  
13 of Trustees of the Police and Firemen's Retirement System of New  
14 Jersey ~~[and the Consolidated Police and Firemen's Pension Fund~~  
15 ~~Commission]~~, shall ~~[designate]~~ elect one of ~~[their]~~ the active  
16 members of its retirement system, or one of the retirees of its  
17 retirement system who is receiving a retirement allowance, to serve  
18 as a member of the State Investment Council herein established.  
19 The ~~[five]~~ four members of the council so ~~[selected]~~ elected shall  
20 serve as such for a period of ~~[one year]~~ three years from the date of  
21 their ~~[selection]~~ election and until their respective successors are in  
22 like manner ~~[selected]~~ elected.

23 ~~[Five]~~ (2) Six of the ~~[remaining]~~ members of the State  
24 Investment Council shall be appointed by the Governor, with the  
25 advice and consent of the Senate, for a term of five years and shall  
26 serve until ~~[his]~~ the member's successor is appointed and has  
27 qualified.

28 (3) One member of the State Investment Council shall be  
29 appointed by the Governor from among three persons nominated  
30 jointly by the President of the Senate and the Speaker of the  
31 General Assembly and shall serve for a term of five years and until  
32 the member's successor is appointed and has qualified.

33 (4) One member of the State Investment Council shall be  
34 appointed by the Governor from among three persons nominated by  
35 the Public Employee Committee of the New Jersey State AFL-CIO  
36 and shall serve for a term of three years and until the member's  
37 successor is appointed and has qualified. If the persons nominated  
38 are not acceptable to the Governor for appointment, the Governor  
39 may request submission of new nominees.

40 (5) One member of the State Investment Council shall be  
41 appointed by the Governor from among three persons nominated by  
42 the New Jersey Education Association and shall serve for a term of  
43 three years and until the member's successor is appointed and has  
44 qualified. If the persons nominated are not acceptable to the  
45 Governor for appointment, the Governor may request submission of  
46 new nominees.

1        【At least four of the six】 The two members appointed pursuant  
2 to paragraphs (4) and (5) of this subsection by the Governor to the  
3 council shall be qualified by training 【and】 , experience 【in the  
4 field of investment and finance】 or long-term interest in the direct  
5 management, analysis, supervision or investment of assets, and this  
6 training, experience or long-term interest shall have been  
7 supplemented by academic training in the fields of economics,  
8 business, law, finance or actuarial science or by actual employment  
9 in those fields.

10        At least five of the seven members appointed pursuant to  
11 paragraphs (2) and (3) of this subsection by the Governor to the  
12 council shall be qualified by training and experience in the direct  
13 management, analysis, supervision or investment of assets, which  
14 training and experience shall have been acquired through academic  
15 training or through actual employment in those fields.

16        b. No member of the State Investment Council shall hold any  
17 office, position or employment in any political party nor shall any  
18 such member benefit directly or indirectly from any transaction  
19 made by the Director of the Division of Investment provided for  
20 herein.

21        The members of the council shall elect annually from their  
22 number a chairman of such council. Any member of the council so  
23 elected shall serve as such chairman for a term of one year and until  
24 【his】 a successor is, in like manner, elected. The chairman of the  
25 council shall be its presiding officer.

26        The members of the council shall serve without compensation  
27 but shall be reimbursed for necessary expenses incurred in the  
28 performance of their duties as approved by the chairman of the  
29 council. The members of the council shall be required to file the  
30 same annual financial disclosure statements as those required to be  
31 filed by members of other State boards and commissions who are  
32 not compensated for their services, as such statements shall be  
33 required by law or executive order of the Governor. The financial  
34 disclosure statements of council members shall be made available to  
35 the public in the same manner as the statements of members of  
36 other State boards and commissions are made available to the  
37 public.

38        Each member of the council, except the member appointed from  
39 among persons nominated by the President of the Senate and the  
40 Speaker of the General Assembly, may be removed from office by  
41 the Governor, for cause, upon notice and opportunity to be heard at  
42 a public hearing. Any vacancy in the membership of the council  
43 occurring other than by expiration of term shall be filled in the same  
44 manner as the original appointment, but for the unexpired term  
45 only.

46        c. The terms of the members of the council serving on the  
47 effective date specified for this section of P.L. , c. (pending  
48 before the Legislature as this bill), other than the five members



1 appointed by the Governor with the advice and consent of the  
2 Senate to serve for terms of five years and the one member  
3 appointed by the Governor from persons nominated jointly by the  
4 President of the Senate and the Speaker of the General Assembly to  
5 serve for a term of five years, are terminated as of that effective  
6 date. A member terminated pursuant to this subsection shall be  
7 eligible for reappointment.<sup>1</sup>

8 (cf: P.L.1992, c.41, s.32)

9

10 <sup>1</sup>51. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to  
11 read as follows:

12 13. a. The State Investment Council shall consult with the  
13 Director of the Division of Investment from time to time with  
14 respect to the work of the division. It shall have access to all files  
15 and records of the division and may require any officer or  
16 employee therein to provide such information as it may deem  
17 necessary in the performance of its functions. The council shall  
18 have authority to inspect and audit the respective accounts and  
19 funds administered through the Division of Investment. It shall  
20 formulate and establish, and may from time to time amend, modify  
21 or repeal, such policies as it may deem necessary or proper, which  
22 shall govern the methods, practices or procedures for investment,  
23 reinvestment, purchase, sale or exchange transactions to be  
24 followed by the Director of the Division of Investment established  
25 hereunder.

26 b. On or before January first of each year, and at such other  
27 times as it may deem in the public interest, the council shall report  
28 to the Governor, the Legislature, and the State Treasurer with  
29 respect to its work and the work of the Division of Investment. In  
30 addition to the reports specified above and in section 14 of  
31 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by  
32 March 1 of each year on the investment activities for the prior  
33 calendar year, which shall include a summary of the current  
34 investment policies and strategies of the council and those in effect  
35 during the prior calendar year, a detailed summary for each  
36 financial product of the amount invested, whether the investments  
37 were made by employees of the Division of Investment or by  
38 external managers, performance benchmarks, and actual  
39 performance during the calendar year. The report shall be  
40 submitted to the Governor, the Legislature, and the State Treasurer,  
41 and shall be made available to the public through the official  
42 Internet site of the State.

43 c. The council shall hold a meeting each year that shall be open  
44 to the public, and shall accept comments from the public at such a  
45 meeting. The matters that shall be open to discussion and public  
46 comment during this annual meeting shall include the investment  
47 policies and strategies of the council, the investment activities of  
48 the council, the financial disclosures statements filed by council

1 members, and the certification of contributions filed by external  
2 managers, as well as other appropriate matters concerning the  
3 operations, activities and reports of the council.

4 d. An external manager shall be required to file a certification  
5 before being retained, and annually thereafter, that discloses the  
6 political contributions made, during the 12 months preceding the  
7 certification, by the manager or the manager's firm, or a political  
8 committee in which the manager or firm was active. The  
9 certification shall specify the political contributions made to  
10 candidates for elective public office in this State and any political  
11 committee established for the support of such candidates, and  
12 contributions made for the transition and inaugural expenses of any  
13 candidate who is elected to public office. As used in this  
14 subsection, "contribution" and "political committee" shall have the  
15 meaning set forth in "The New Jersey Campaign Contributions and  
16 Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et seq.).  
17 This certification shall be in addition to any other such disclosure  
18 required by law or executive order of the Governor.<sup>1</sup>

19 (cf: P.L.1950, c.270, s.13)

20

21 <sup>1</sup>[50.] 52.<sup>1</sup> This act shall take effect immediately, except that  
22 sections <sup>1</sup>[11] 12<sup>1</sup> through 16, inclusive, shall take effect July 1,  
23 2007, and sections 27 through 29, inclusive, shall take effect July 1,  
24 2008, and sections 31 through 41, inclusive, shall take effect  
25 immediately and shall be implemented as soon as practicable as  
26 determined by the School Employees' Health Benefits Commission  
27 so that the School Employees' Health Benefits Program shall be  
28 operational as of July 1, 2008 <sup>1</sup>, and sections 50 and 51 shall take  
29 effect on the 30th day after enactment but such anticipatory action  
30 may be taken in advance thereof as shall be necessary for the  
31 implementation of the sections<sup>1</sup>.

32

33

34

35

36 Changes PERS, TPAF and DCRP contribution rates and new  
37 employees' compensation base and retirement age; implements  
38 changes to SHBP and transfer of education employees to School  
39 Employees' Health Benefits Program; modifies State Investment  
40 Council.

**ASSEMBLY, No. 5005**

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**STATE OF NEW JERSEY**

**212th LEGISLATURE**

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INTRODUCED JUNE 14, 2007

**Sponsored by:**

**Assemblyman JOSEPH J. ROBERTS, JR.**

**District 5 (Camden and Gloucester)**

**Assemblywoman NELLIE POU**

**District 35 (Bergen and Passaic)**

**Assemblyman THOMAS P. GIBLIN**

**District 34 (Essex and Passaic)**

**Assemblyman KEVIN J. O'TOOLE**

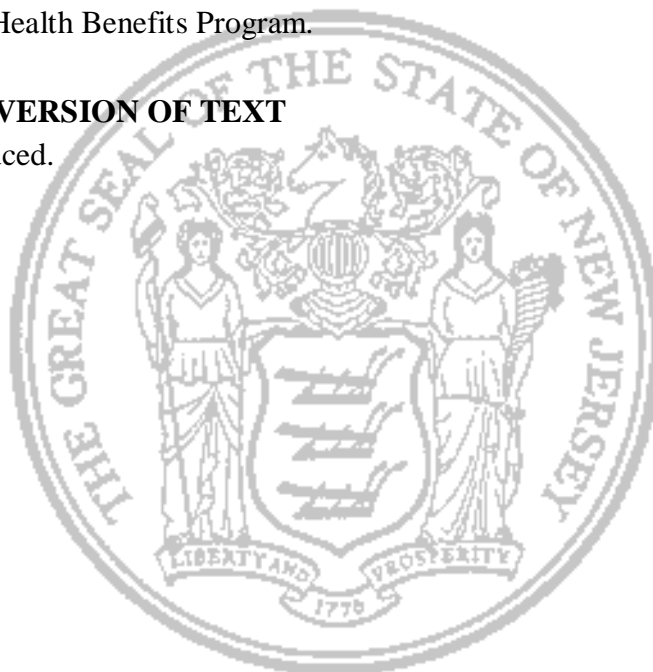
**District 40 (Bergen, Essex and Passaic)**

**SYNOPSIS**

Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age; implements SHBP transition to preferred provider plans and transfer of educational employees to School Employees' Health Benefits Program.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/19/2007)**

A5005 ROBERTS, POU

2

1 AN ACT concerning the Public Employees' Retirement System of  
2 New Jersey, the Teachers' Pension and Annuity Fund, the  
3 Defined Contribution Retirement Program, and the State Health  
4 Benefits Program, revising various parts of the statutory law and  
5 supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).  
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:  
9

10 1. N.J.S.18A:66-29 is amended to read as follows:

11 18A:66-29. Members enrolled in the retirement system on or  
12 after July 1, 1994 shall contribute 5% of compensation to the  
13 system. Members enrolled in the system prior to July 1, 1994 shall  
14 contribute 5% of compensation to the system effective with the  
15 payroll period for which the beginning date is closest to July 1,  
16 1995, provided, however, that any member enrolled before July 1,  
17 1994, whose full contribution rate under the system prior to the  
18 revisions by this act was less than 6%, shall pay 4% of  
19 compensation to the system effective with the payroll period for  
20 which the beginning date is closest to July 1, 1995, and 5% of  
21 compensation to the system effective with the payroll period for  
22 which the beginning date is closest to July 1, 1996.

23 Members enrolled in the retirement system on or after July 1,  
24 2007 shall contribute 5.5% of compensation to the system.  
25 Members enrolled in the system prior to July 1, 2007 shall  
26 contribute 5.5% of compensation to the system effective with the  
27 payroll period for which the beginning date is closest to July 1,  
28 2007.

29 (cf: P.L.1994, c.62, s.4)  
30

31 2. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to  
32 read as follows:

33 25. The annuity savings fund shall be the fund in which shall be  
34 credited accumulated deductions and contributions by members or  
35 on their behalf to provide for their allowances. A single account  
36 shall be established in this fund for each person who is or shall  
37 become a member and all contributions deducted from each such  
38 member's compensation shall be credited to his account regardless  
39 of the number of positions a member might hold or the number of  
40 employers as he might have.

41 Members enrolled in the retirement system on or after July 1,  
42 1994 shall contribute 5% of compensation to the system. Members  
43 enrolled in the system prior to July 1, 1994 shall contribute 5% of  
44 compensation to the system effective with the payroll period for  
45 which the beginning date is closest to July 1, 1995, provided,

**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 however, that any member enrolled before July 1, 1994, whose full  
2 contribution rate under the system prior to the revisions by this act  
3 was less than 6%, shall pay 4% of compensation to the system  
4 effective with the payroll period for which the beginning date is  
5 closest to July 1, 1995, and 5% of compensation to the system  
6 effective with the payroll period for which the beginning date is  
7 closest to July 1, 1996.

8 Members enrolled in the retirement system on or after July 1,  
9 2007 shall contribute 5.5% of compensation to the system.  
10 Members enrolled in the system prior to July 1, 2007 shall  
11 contribute 5.5% of compensation to the system effective with the  
12 payroll period for which the beginning date is closest to July 1,  
13 2007.

14 The retirement system shall certify to each State department or  
15 subdivision thereof, and to each branch of the State service not  
16 included in a State department, and to every other employer, the  
17 proportion of each member's compensation to be deducted and to  
18 facilitate the making of deductions the retirement system may  
19 modify the deduction required by a member by such an amount as  
20 shall not exceed 1/10 of 1% of the compensation upon the basis of  
21 which the deduction is to be made.

22 If payment in full, representing the monthly or biweekly  
23 transmittal and report of salary deductions, is not made within 15  
24 days of the due date established by the retirement system, interest at  
25 the rate of 6% per annum shall commence to run against the total  
26 transmittal of salary deductions for the period on the first day after  
27 such fifteenth day.

28 Every employee to whom this act applies shall be deemed to  
29 consent and agree to any deduction from his compensation required  
30 by this act and to all other provisions of this act. Notwithstanding  
31 any other law, rule or regulation affecting the salary, pay,  
32 compensation, other perquisites, or tenure of a person to whom this  
33 act applies, or shall apply, and notwithstanding that the minimum  
34 salary, pay, or compensation or other perquisites provided by law  
35 for him shall be reduced thereby, payment, less such deductions,  
36 shall be a full and complete discharge and acquittance of all claims  
37 and demands for service rendered by him during the period covered  
38 by such payment.

39 (cf: P.L.1994, c.62, s.9)

40

41 3. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to  
42 read as follows:

43 2. Notwithstanding the provisions of P.L.1954, c. 84, s. 25 (C.  
44 43:15A-25), (a) a separate account shall be established in the  
45 annuity savings fund for each member of the Legislature and all  
46 contributions based on legislative salaries shall be credited to this  
47 account as distinguished from any other account that the legislator  
48 may have as a result of other public service covered by the

1 retirement system; and (b) the member of the Legislature shall  
2 contribute at a rate equal to 5% of his legislative salary, which  
3 contribution shall be deducted from his salary at the time or times it  
4 is paid, and which shall be exclusive of any other contribution  
5 required of the member for Social Security, contributory death  
6 benefits or deductions for any other purpose. The contribution rate  
7 shall be 5.5% of the member's legislative salary beginning July 1,  
8 2007.

9 A member of the Legislature who is enrolled on the basis of  
10 other public service before, during, or after his service as a member  
11 of the Legislature shall contribute for such other service at the rate  
12 of contribution required of other members as provided by section  
13 25.

14 (cf: P.L.1972, c.167, s.2)

15

16 4. Section 3 of P.L.1972, c.167 (C.43:15A-137) is amended to  
17 read as follows:

18 3. Notwithstanding any other law regarding the purchase of  
19 service credit in the retirement system, a member of the Legislature  
20 may purchase credit for all previous legislative service by paying  
21 into the annuity savings fund 5%, and 5.5% after July 1, 2007, of  
22 the salaries he received in such prior periods, in which event he  
23 shall agree to make such purchase within 1 year after the effective  
24 date of this supplementary act or during the first year of  
25 membership as a member of the Legislature; if the request for the  
26 purchase is received beyond the 1-year period, interest shall be  
27 added to the amount of the arrearage obligation at the regular  
28 interest rate. The purchase of such credit may be by lump sum or in  
29 regular installments over a maximum period of 10 years.

30 In the case of any member of the Legislature coming under the  
31 provisions of this section, full pension credit for the period of  
32 service for which arrears are being paid by the member shall be  
33 given upon the payment of at least 1/2 of the total arrearage  
34 obligation and the completion of 1 year of membership and the  
35 making of such arrears payments, except that in the case of  
36 retirement pursuant to P.L.1954, c. 84, sections 38, 41(b), 48 and 61  
37 and to the provisions of this supplementary act, the total  
38 membership credit for such service shall be in direct proportion as  
39 the amount paid bears to the total amount of the arrearage  
40 obligation of the member.

41 The contributions of all members of the Legislature related to  
42 their legislative service shall be adjusted for all years prior to the  
43 effective date of this supplementary act to determine either an  
44 overpayment or shortage in the separate account, requiring the  
45 payment of contributions at the percentage of salary provided for in  
46 this section. Overpayments shall be refunded and shortages shall be  
47 established as arrearage obligations to be satisfied in the same

1 manner as any other arrearage obligation established pursuant to  
2 this section.

3 No member shall receive credit for any legislative service for  
4 which he has not contributed as required by this section.

5 (cf: P.L.1972, c.167, s.3)

6

7 5. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to  
8 read as follows:

9 3. a. Notwithstanding the provisions of section 25 of P.L.1954,  
10 c.84 (C.43:15A-25) to the contrary, a separate account shall be  
11 established in the annuity savings fund for each workers  
12 compensation judge and all contributions based on the judge's  
13 salary shall be credited to this account. This account shall be  
14 separate from any other account that the member may have as a  
15 result of other public service covered by the retirement system.

16 b. A workers compensation judge shall contribute at a rate  
17 equal to 5% of the judge's salary, which contribution shall be  
18 deducted from the salary at the time or times it is paid, and which  
19 shall be exclusive of any other contribution required of the member  
20 for Social Security, contributory death benefits or deductions for  
21 any other purpose. The contribution rate shall be 5.5% of the  
22 judge's salary effective with the payroll period for which the  
23 beginning date is closest to July 1, 2007.

24 c. A workers compensation judge who is enrolled on the basis  
25 of other public service before, during, or after service as a judge of  
26 compensation shall contribute for such other service at the rate of  
27 contribution required of other members as provided by section 25.

28 (cf: P.L.2001, c.259, s.3)

29

30 6. Section 3 of P.L.2007, c.92 (C.43:15C-3) is amended to read  
31 as follows:

32 3. a. The employer shall reduce the compensation of each  
33 participant in the Defined Contribution Retirement Program and pay  
34 over to the plan provider for the benefit of the participant an  
35 employee contribution for the retirement benefit contract or  
36 contracts equal to **【5%】** 5.5% of the participant's base salary. At  
37 the option and request of a participant, the employer shall reduce  
38 the compensation of the participant for additional contributions as  
39 permitted by the federal Internal Revenue Code. The intervals for  
40 reductions and payments shall be determined by the Division of  
41 Pensions and Benefits.

42 All participant contributions shall be made in accordance with  
43 section 414(h) of the federal Internal Revenue Code (26 U.S.C.  
44 s.414(h)).

45 b. The employer shall make payment of the employer  
46 contributions to the program at a rate equal to 3% of the employee's  
47 base salary, which moneys shall be paid to the designated provider  
48 for the benefit of each participant. Additionally, employers shall

1 pay their share of the administrative costs of the program. The  
2 intervals for all payments and the allocation of administrative costs  
3 shall be determined by the Division of Pensions and Benefits  
4 including due dates and penalties for non compliance.

5 c. No employer contributions shall be vested in a participant  
6 until after the participant commences the second year of  
7 employment unless the participant, at the time of initial  
8 employment, either (1) participates in a program substantially  
9 similar to the retirement program, or (2) is a member of another  
10 State-administered pension fund or retirement system.

11 (cf: P.L.2007, c.92, s.3)

12

13 7. N.J.S.18A:66-37 is amended to read as follows:

14 18A:66-37. Should a member resign after having established 25  
15 years of creditable service before reaching age 60, **[he]** the member  
16 may elect "early retirement," provided, that such election is  
17 communicated by such member to the retirement system by filing a  
18 written application, duly attested, stating at what time subsequent to  
19 the execution and filing thereof **[he]** the member desires to be  
20 retired. **[He]** The member shall receive, in lieu of the payment  
21 provided in N.J.S.18A:66-34, an annuity which is the actuarial  
22 equivalent of **[his]** the member's accumulated deductions and a  
23 pension in the amount which, when added to the member's annuity,  
24 will provide a total retirement allowance of 1/64 of **[his]** the  
25 member's final compensation for each year of service credited as  
26 class A service and 1/55 of **[his]** the member's final compensation  
27 for each year of service credited as class B service, calculated in  
28 accordance with N.J.S.18A:66-44, reduced:

29 (a) by 1/4 of 1% for each month that the member lacks of being  
30 age 55; or

31 (b) for a person who becomes a member of the retirement system  
32 on or after July 1, 2007, by 1/4 of 1% for each month that the  
33 member lacks of being age 55 and by 1/12 of 1% for each month  
34 that the member lacks of being age 60 but over age 55; provided,  
35 however, that upon the receipt of proper proofs of the death of such  
36 a member there shall be paid to **[his]** the member's beneficiary an  
37 amount equal to 3/16 of the compensation upon which contributions  
38 by the member to the annuity savings fund were based in the last  
39 year of creditable service or in the year of the member's highest  
40 contractual salary, whichever is higher.

41 Subparagraph (b) of this section shall not apply to a person who  
42 at the time of enrollment in the retirement system on or after July 1,  
43 2007 transfers service credit from another State-administered  
44 retirement system pursuant to N.J.S.18A:66-15.1, but shall apply to  
45 a former member of the retirement system who has been granted a  
46 retirement allowance and is reenrolled in the retirement system on  
47 or after July 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming



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1 employed again in a position that makes the person eligible to be a  
2 member of the retirement system.

3 The board of trustees shall retire him at the time specified or at  
4 such other time within one month after the date so specified as the  
5 board finds advisable.

6 (cf: P.L.2001, c.133, s.5)

7

8 8. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to  
9 read as follows:

10 41. a. A member who withdraws from service or ceases to be an  
11 employee for any cause other than death or retirement shall, upon  
12 the filing of an application therefor, receive all of his accumulated  
13 deductions standing to the credit of his individual account in the  
14 annuity savings fund, plus regular interest, less any outstanding  
15 loan, except that for any period after June 30, 1944, the interest  
16 payable shall be such proportion of the interest determined at the  
17 regular rate of 2% per annum bears to the regular rate of interest,  
18 and except that no interest shall be payable in the case of a member  
19 who has less than three years of membership credit for which he has  
20 made contributions. He shall cease to be a member two years from  
21 the date he discontinued service as an eligible employee, or, if prior  
22 thereto, upon payment to him of his accumulated deductions. If any  
23 such person or member shall die before withdrawing or before  
24 endorsing the check constituting the return of his accumulated  
25 deductions, such deductions shall be paid to the member's  
26 beneficiary. No member shall be entitled to withdraw the amounts  
27 contributed by his employer covering his military leave unless he  
28 shall have returned to the payroll and contributed to the retirement  
29 system for a period of 90 days.

30 b. Should a member resign after having established 25 years of  
31 creditable service before reaching age 60, he may elect "early  
32 retirement," provided, that such election is communicated by such  
33 member to the retirement system by filing a written application,  
34 duly attested, stating at what time subsequent to the execution and  
35 filing thereof he desires to be retired. He shall receive, in lieu of  
36 the payment provided in subsection a. of this section, an annuity  
37 which is the actuarial equivalent of his accumulated deductions  
38 together with regular interest, and a pension in the amount which,  
39 when added to the member's annuity, will provide a total retirement  
40 allowance of 1/64 of his final compensation for each year of service  
41 credited as Class A service and 1/55 of his final compensation for  
42 each year of service credited as Class B service, calculated in  
43 accordance with section 48 (C. 43:15A-48) of this act, reduced:

44 (a) by 1/4 of 1% for each month that the member lacks of being  
45 age 55; or

46 (b) for a person who becomes a member of the retirement system  
47 on or after July 1, 2007, by 1/4 of 1% for each month that the  
48 member lacks of being age 55 and by 1/12 of 1% for each month

1 that the member lacks of being age 60 but over age 55; provided,  
2 however, that upon the receipt of proper proofs of the death of such  
3 a member there shall be paid to his beneficiary an amount equal to  
4 three-sixteenths of the compensation upon which contributions by  
5 the member to the annuity savings fund were based in the last year  
6 of creditable service.

7 Paragraph (b) of this subsection shall not apply to a person who  
8 at the time of enrollment in the retirement system on or after July 1,  
9 2007 transfers service credit from another State-administered  
10 retirement system pursuant to section 14 of P.L.1954, c.84  
11 (C.43:15A-14), but shall apply to a former member of the  
12 retirement system who has been granted a retirement allowance and  
13 is reenrolled in the retirement system on or after July 1, 2007  
14 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after  
15 becoming employed again in a position that makes the person  
16 eligible to be a member of the retirement system.

17 The board of trustees shall retire him at the time specified or at  
18 such other time within one month after the date so specified as the  
19 board finds advisable.

20 c. Upon the receipt of proper proofs of the death of a member  
21 in service on account of which no accidental death benefit is  
22 payable under section 49 there shall be paid to such member's  
23 beneficiary:

24 (1) The member's accumulated deductions at the time of death  
25 together with regular interest; and

26 (2) An amount equal to one and one-half times the  
27 compensation upon which contributions by the member to the  
28 annuity savings fund were based in the last year of creditable  
29 service.

30 (cf: P.L.2001, c.133, s.12)

31

32 9. N.J.S.18A:66-2 is amended to read as follows:

33 18A:66-2. As used in this article:

34 a. "Accumulated deductions" means the sum of all the  
35 amounts, deducted from the compensation of a member or  
36 contributed by or in behalf of the member, including interest  
37 credited to January 1, 1956, standing to the credit of the member's  
38 individual account in the annuity savings fund.

39 b. "Annuity" means payments for life derived from the  
40 accumulated deductions of a member as provided in this article.

41 c. "Beneficiary" means any person receiving a retirement  
42 allowance or other benefit as provided in this article.

43 d. (1) "Compensation" means the contractual salary, for  
44 services as a teacher as defined in this article, which is in  
45 accordance with established salary policies of the member's  
46 employer for all employees in the same position but shall not  
47 include individual salary adjustments which are granted primarily in  
48 anticipation of the member's retirement or additional remuneration

1 for performing temporary or extracurricular duties beyond the  
2 regular school day or the regular school year.

3 (2) In the case of a person who becomes a member of the  
4 retirement system on or after July 1, 2007, "compensation" means  
5 the amount of the contractual salary equivalent to the annual  
6 maximum wage contribution base for Social Security, pursuant to  
7 the federal Insurance Contributions Act, for services as a teacher as  
8 defined in this article, which is in accordance with established  
9 salary policies of the member's employer for all employees in the  
10 same position but shall not include individual salary adjustments  
11 which are granted primarily in anticipation of the member's  
12 retirement or additional remuneration for performing temporary or  
13 extracurricular duties beyond the regular school day or the regular  
14 school year. This paragraph shall not apply to a person who at the  
15 time of enrollment in the retirement system on or after July 1, 2007  
16 transfers service credit from another State-administered retirement  
17 system pursuant to N.J.S.18A:66-15.1, but shall apply to a former  
18 member of the retirement system who has been granted a retirement  
19 allowance and is reenrolled in the retirement system on or after July  
20 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming employed  
21 again in a position that makes the person eligible to be a member of  
22 the retirement system.

23 e. "Employer" means the State, the board of education or any  
24 educational institution or agency of or within the State by which a  
25 teacher is paid.

26 f. "Final compensation" means the average annual  
27 compensation for which contributions are made for the three years  
28 of creditable service in New Jersey immediately preceding the  
29 member's retirement or death, or it shall mean the average annual  
30 compensation for New Jersey service for which contributions are  
31 made during any three fiscal years of his or her membership  
32 providing the largest possible benefit to the member or the  
33 member's beneficiary.

34 g. "Fiscal year" means any year commencing with July 1, and  
35 ending with June 30, next following.

36 h. "Pension" means payments for life derived from  
37 appropriations made by the State or employers to the Teachers'  
38 Pension and Annuity Fund.

39 i. "Annuity reserve" means the present value of all payments  
40 to be made on account of any annuity or benefit in lieu of an  
41 annuity, granted under the provisions of this article, computed on  
42 the basis of such mortality tables recommended by the actuary as  
43 the board of trustees adopts, with regular interest.

44 j. "Pension reserve" means the present value of all payments to  
45 be made on account of any pension or benefit in lieu of a pension  
46 granted to a member from the Teachers' Pension and Annuity Fund,  
47 computed on the basis of such mortality tables recommended by the  
48 actuary as the board of trustees adopts, with regular interest.

1 k. "Present-entrant" means any member of the Teachers'  
2 Pension and Annuity Fund who had established status as a "present-  
3 entrant member" of said fund prior to January 1, 1956.

4 l. "Rate of contribution initially certified" means the rate of  
5 contribution certified by the retirement system in accordance with  
6 N.J.S.18A:66-29.

7 m. "Regular interest" shall mean interest as determined by the  
8 State Treasurer, after consultation with the Directors of the  
9 Divisions of Investment and Pensions, the board of trustees and the  
10 actuary. It shall bear a reasonable relationship to the percentage  
11 rate of earnings on investments based on the market value of assets  
12 but shall not exceed the assumed percentage rate of increase applied  
13 to salaries plus 3%, provided however that the board of trustees  
14 shall not set the average percentage rate of increase applied to  
15 salaries below 6%.

16 n. "Retirement allowance" means the pension plus the annuity.

17 o. "School service" means any service as a "teacher" as defined  
18 in this section.

19 p. "Teacher" means any regular teacher, special teacher,  
20 helping teacher, teacher clerk, principal, vice-principal, supervisor,  
21 supervising principal, director, superintendent, city superintendent,  
22 assistant city superintendent, county superintendent, State  
23 Commissioner or Assistant Commissioner of Education, members  
24 of the State Department of Education who are certificated,  
25 unclassified professional staff and other members of the teaching or  
26 professional staff of any class, public school, high school, normal  
27 school, model school, training school, vocational school, truant  
28 reformatory school, or parental school, and of any and all classes or  
29 schools within the State conducted under the order and  
30 superintendence, and wholly or partly at the expense of the State  
31 Board of Education, of a duly elected or appointed board of  
32 education, board of school directors, or board of trustees of the  
33 State or of any school district or normal school district thereof, and  
34 any persons under contract or engagement to perform one or more  
35 of these functions. It shall also mean any person who serves, while  
36 on an approved leave of absence from regular duties as a teacher, as  
37 an officer of a local, county or State labor organization which  
38 represents, or is affiliated with an organization which represents,  
39 teachers as defined in this subsection. No person shall be deemed a  
40 teacher within the meaning of this article who is a substitute  
41 teacher. In all cases of doubt the board of trustees shall determine  
42 whether any person is a teacher as defined in this article.

43 q. "Teachers' Pension and Annuity Fund," hereinafter referred  
44 to as the "retirement system" or "system," is the corporate name of  
45 the arrangement for the payment of retirement allowances and other  
46 benefits under the provisions of this article, including the several  
47 funds placed under said system. By that name all its business shall  
48 be transacted, its funds invested, warrants for money drawn, and

1 payments made and all of its cash and securities and other property  
2 held.

3 r. "Veteran" means any honorably discharged officer, soldier,  
4 sailor, airman, marine or nurse who served in any Army, Air Force  
5 or Navy of the Allies of the United States in World War I between  
6 July 14, 1914, and November 11, 1918, or who served in any Army,  
7 Air Force or Navy of the Allies of the United States in World War  
8 II, between September 1, 1939, and September 2, 1945, and who  
9 was inducted into such service through voluntary enlistment, and  
10 was a citizen of the United States at the time of such enlistment, and  
11 who did not, during or by reason of such service, renounce or lose  
12 United States citizenship, and any officer, soldier, sailor, marine,  
13 airman, nurse or army field clerk who has served in the active  
14 military or naval service of the United States and has or shall be  
15 discharged or released therefrom under conditions other than  
16 dishonorable, in any of the following wars, uprisings, insurrections,  
17 expeditions or emergencies, and who has presented to the retirement  
18 system evidence of such record of service in form and content  
19 satisfactory to said retirement system:

20 (1) The Indian wars and uprisings during any of the periods  
21 recognized by the War Department of the United States as periods  
22 of active hostility;

23 (2) The Spanish-American War between April 20, 1898, and  
24 April 11, 1899;

25 (3) The Philippine insurrections and expeditions during the  
26 periods recognized by the War Department of the United States as  
27 of active hostility from February 4, 1899, to the end of 1913;

28 (4) The Peking relief expedition between June 20, 1900, and  
29 May 27, 1902;

30 (5) The army of Cuban occupation between July 18, 1898, and  
31 May 20, 1902;

32 (6) The army of Cuban pacification between October 6, 1906,  
33 and April 1, 1909;

34 (7) The Mexican punitive expedition between March 14, 1916,  
35 and February 7, 1917;

36 (8) The Mexican border patrol, having actually participated in  
37 engagements against Mexicans between April 12, 1911, and June  
38 16, 1919;

39 (9) World War I, between April 6, 1917, and November 11,  
40 1918;

41 (10) World War II, between September 16, 1940, and December  
42 31, 1946, who shall have served at least 90 days in such active  
43 service, exclusive of any period of assignment (1) for a course of  
44 education or training under the Army Specialized Training Program  
45 or the Navy College Training Program, which course was a  
46 continuation of a civilian course and was pursued to completion, or  
47 (2) as a cadet or midshipman at one of the service academies, any  
48 part of which 90 days was served between said dates; provided that

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1 any person receiving an actual service-incurred injury or disability  
2 shall be classed as a veteran, whether or not that person has  
3 completed the 90-day service as herein provided;

4 (11) Korean conflict on or after June 23, 1950, and on or prior to  
5 January 31, 1955, who shall have served at least 90 days in such  
6 active service, exclusive of any period of assignment (1) for a  
7 course of education or training under the Army Specialized  
8 Training Program or the Navy College Training Program, which  
9 course was a continuation of a civilian course and was pursued to  
10 completion, or (2) as a cadet or midshipman at one of the service  
11 academies, any part of which 90 days was served between said  
12 dates; provided that any person receiving an actual service-incurred  
13 injury or disability shall be classed as a veteran, whether or not that  
14 person has completed the 90-day service as herein provided; and  
15 provided further that any member classed as a veteran pursuant to  
16 this subsection prior to August 1, 1966, shall continue to be classed  
17 as a veteran, whether or not that person completed the 90-day  
18 service between said dates as herein provided;

19 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
20 Lebanon or on board any ship actively engaged in patrolling the  
21 territorial waters of that nation for a period, continuous or in the  
22 aggregate, of at least 14 days commencing on or before November  
23 1, 1958 or the date of termination of that conflict, as proclaimed by  
24 the President of the United States or Congress, whichever date of  
25 termination is the latest, in such active service; provided, that any  
26 person receiving an actual service-incurred injury or disability shall  
27 be classed as a veteran whether or not that person has completed the  
28 14 days' service as herein provided;

29 (13) Vietnam conflict, on or after December 31, 1960, and on or  
30 prior to May 7, 1975, who shall have served at least 90 days in such  
31 active service, exclusive of any period of assignment (1) for a  
32 course of education or training under the Army Specialized  
33 Training Program or the Navy College Training Program, which  
34 course was a continuation of a civilian course and was pursued to  
35 completion, or (2) as a cadet or midshipman at one of the service  
36 academies, any part of which 90 days was served between said  
37 dates; and exclusive of any service performed pursuant to the  
38 provisions of section 511(d) of Title 10, United States Code,  
39 pursuant to an enlistment in the Army National Guard or as a  
40 reserve for service in the Army Reserve, Naval Reserve, Air Force  
41 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided  
42 that any person receiving an actual service-incurred injury or  
43 disability shall be classed as a veteran, whether or not that person  
44 has completed the 90-day service as herein provided;

45 (14) Lebanon peacekeeping mission, on or after September 26,  
46 1982, who has served in Lebanon or on board any ship actively  
47 engaged in patrolling the territorial waters of that nation for a  
48 period, continuous or in the aggregate, of at least 14 days

1 commencing on or before December 1, 1987 or the date of  
2 termination of that mission, as proclaimed by the President of the  
3 United States or Congress, whichever date of termination is the  
4 latest, in such active service; provided, that any person receiving an  
5 actual service-incurred injury or disability shall be classed as a  
6 veteran whether or not that person has completed the 14 days'  
7 service as herein provided;

8 (15) Grenada peacekeeping mission, on or after October 23,  
9 1983, who has served in Grenada or on board any ship actively  
10 engaged in patrolling the territorial waters of that nation for a  
11 period, continuous or in the aggregate, of at least 14 days  
12 commencing on or before November 21, 1983 or the date of  
13 termination of that mission, as proclaimed by the President of the  
14 United States or Congress, whichever date of termination is the  
15 latest, in such active service; provided, that any person receiving an  
16 actual service-incurred injury or disability shall be classed as a  
17 veteran whether or not that person has completed the 14 days'  
18 service as herein provided;

19 (16) Panama peacekeeping mission, on or after December 20,  
20 1989 or the date of inception of that mission, as proclaimed by the  
21 President of the United States or Congress, whichever date of  
22 inception is earliest, who has served in Panama or on board any ship  
23 actively engaged in patrolling the territorial waters of that nation for  
24 a period, continuous or in the aggregate, of at least 14 days  
25 commencing on or before January 31, 1990 or the date of  
26 termination of that mission, as proclaimed by the President of the  
27 United States or Congress, whichever date of termination is the  
28 latest, in such active service; provided, that any person receiving an  
29 actual service-incurred injury or disability shall be classed as a  
30 veteran whether or not that person has completed the 14 days'  
31 service as herein provided;

32 (17) Operation "Desert Shield/Desert Storm" mission in the  
33 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
34 or the date of inception of that operation, as proclaimed by the  
35 President of the United States or Congress, whichever date of  
36 inception is earliest, who has served in the Arabian peninsula or on  
37 board any ship actively engaged in patrolling the Persian Gulf for a  
38 period, continuous or in the aggregate, of at least 14 days  
39 commencing on or before the date of termination of that mission, as  
40 proclaimed by the President of the United States or Congress,  
41 whichever date of termination is the latest, in such active service;  
42 provided, that any person receiving an actual service-incurred injury  
43 or disability shall be classed as a veteran whether or not that person  
44 has completed the 14 days' service as herein provided;

45 (18) Operation Northern Watch and Operation Southern Watch,  
46 on or after August 27, 1992, or the date of inception of that  
47 operation, as proclaimed by the President of the United States,  
48 Congress or United States Secretary of Defense, whichever date of

1 inception is earliest, who served in the theater of operation,  
2 including in the Arabian peninsula and the Persian Gulf, and in  
3 direct support of that operation for a period, continuously or in the  
4 aggregate, of at least 14 days in such active service, commencing on  
5 or before the date of termination of the operation, as proclaimed by  
6 the President of the United States, Congress or United States  
7 Secretary of Defense, whichever date of termination is latest;  
8 provided, that any person receiving an actual service-incurred injury  
9 or disability while engaged in such service shall be classed as a  
10 veteran whether or not that person has completed the 14 days'  
11 service as herein provided;

12 (19) Operation "Restore Hope" in Somalia, on or after December  
13 5, 1992, or the date of inception of that operation as proclaimed by  
14 the President of the United States or Congress, whichever date is  
15 earliest, who has served in Somalia or on board any ship actively  
16 engaged in patrolling the territorial waters of that nation for a  
17 period, continuously or in the aggregate, of at least 14 days in such  
18 active service commencing on or before March 31, 1994; provided  
19 that any person receiving an actual service-incurred injury or  
20 disability shall be classed as a veteran whether or not that person  
21 has completed the 14-day service as herein provided;

22 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
23 Republic of Bosnia and Herzegovina, on or after November 20,  
24 1995, who served in such active service in direct support of one or  
25 both of the operations for at least 14 days, continuously or in the  
26 aggregate, commencing on or before June 20, 1998, and (1) was  
27 deployed in that nation or in another area in the region, or (2) was  
28 on board a United States naval vessel operating in the Adriatic Sea,  
29 or (3) operated in airspace above the Republic of Bosnia and  
30 Herzegovina; provided that any person receiving an actual service-  
31 incurred injury or disability shall be classed as a veteran whether or  
32 not that person completed the 14-day service requirement;

33 (21) Operation "Enduring Freedom", on or after September 11,  
34 2001, who served in a theater of operation and in direct support of  
35 that operation for a period, continuously or in the aggregate, of at  
36 least 14 days in such active service commencing on or before the  
37 date the President of the United States or the United States  
38 Secretary of Defense designates as the termination date of that  
39 operation; provided, that any person receiving an actual service-  
40 incurred injury or disability while engaged in such service shall be  
41 classed as a veteran whether or not that person has completed the 14  
42 days' service as herein provided; and

43 (22) Operation "Iraqi Freedom", on or after the date the President  
44 of the United States or the United States Secretary of Defense  
45 designates as the inception date of that operation, who served in  
46 Iraq or in another area in the region in direct support of that  
47 operation for a period, continuously or in the aggregate, of at least  
48 14 days in such active service commencing on or before the date the



1 President of the United States or the United States Secretary of  
2 Defense designates as the termination date of that operation;  
3 provided, that any person receiving an actual service-incurred injury  
4 or disability while engaged in such service shall be classed as a  
5 veteran whether or not that person has completed the 14 days'  
6 service as herein provided.

7 "Veteran" also means any honorably discharged member of the  
8 American Merchant Marine who served during World War II and is  
9 declared by the United States Department of Defense to be eligible  
10 for federal veterans' benefits.

11 s. "Child" means a deceased member's unmarried child either  
12 (a) under the age of 18 or (b) of any age who, at the time of the  
13 member's death, is disabled because of mental retardation or  
14 physical incapacity, is unable to do any substantial, gainful work  
15 because of the impairment and the impairment has lasted or can be  
16 expected to last for a continuous period of not less than 12 months,  
17 as affirmed by the medical board.

18 t. (1) "Widower," for employees of the State, means the man to  
19 whom a member was married, or a domestic partner as defined in  
20 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
21 the date of her death and to whom she continued to be married or a  
22 domestic partner until the date of her death and who was receiving  
23 at least one-half of his support from the member in the 12-month  
24 period immediately preceding the member's death or the accident  
25 which was the direct cause of the member's death. The dependency  
26 of such a widower will be considered terminated by marriage of, or  
27 establishment of a domestic partnership by, the widower subsequent  
28 to the death of the member. In the event of the payment of an  
29 accidental death benefit, the five-year qualification shall be waived.

30 (2) Subject to the provisions of paragraph (3) of this subsection,  
31 "widower," for employees of public employers other than the State,  
32 means the man to whom a member was married at least five years  
33 before the date of her death and to whom she continued to be  
34 married until the date of her death and who was receiving at least  
35 one-half of his support from the member in the 12-month period  
36 immediately preceding the member's death or the accident which  
37 was the direct cause of the member's death. The dependency of  
38 such a widower shall be considered terminated by marriage of the  
39 widower subsequent to the death of the member. In the event of the  
40 payment of an accidental death benefit, the five-year qualification  
41 shall be waived.

42 (3) A public employer other than the State may adopt a  
43 resolution providing that the term "widower" as defined in  
44 paragraph (2) of this subsection shall include domestic partners as  
45 provided in paragraph (1) of this subsection.

46 u. (1) "Widow," for employees of the State, means the woman to  
47 whom a member was married, or a domestic partner as defined in  
48 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before

1 the date of his death and to whom he continued to be married or a  
2 domestic partner until the date of his death and who was receiving  
3 at least one-half of her support from the member in the 12-month  
4 period immediately preceding the member's death or the accident  
5 which was the direct cause of the member's death. The dependency  
6 of such a widow will be considered terminated by the marriage of,  
7 or establishment of a domestic partnership by, the widow  
8 subsequent to the member's death. In the event of the payment of an  
9 accidental death benefit, the five-year qualification shall be waived.

10 (2) Subject to the provisions of paragraph (3) of this subsection,  
11 "widow," for employees of public employers other than the State,  
12 means the woman to whom a member was married at least five  
13 years before the date of his death and to whom he continued to be  
14 married until the date of his death and who was receiving at least  
15 one-half of her support from the member in the 12-month period  
16 immediately preceding the member's death or the accident which  
17 was the direct cause of the member's death. The dependency of  
18 such a widow shall be considered terminated by the marriage of the  
19 widow subsequent to the member's death. In the event of the  
20 payment of an accidental death benefit, the five-year qualification  
21 shall be waived.

22 (3) A public employer other than the State may adopt a  
23 resolution providing that the term "widower" as defined in  
24 paragraph (2) of this subsection shall include domestic partners as  
25 provided in paragraph (1) of this subsection.

26 v. "Parent" means the parent of a member who was receiving at  
27 least one-half of the parent's support from the member in the 12-  
28 month period immediately preceding the member's death or the  
29 accident which was the direct cause of the member's death. The  
30 dependency of such a parent will be considered terminated by  
31 marriage of the parent subsequent to the death of the member.

32 w. "Medical board" means the board of physicians provided for  
33 in N.J.S.18A:66-56.

34 x. (1) "Spouse," for employees of the State, means the husband  
35 or wife, or domestic partner as defined in section 3 of P.L.2003,  
36 c.246 (C.26:8A-3), of a member.

37 (2) Subject to the provisions of paragraph (1) of this subsection,  
38 "spouse," for employees of public employers other than the State,  
39 means the husband or wife of a member.

40 (3) A public employer other than the State may adopt a  
41 resolution providing that the term "spouse" as defined in paragraph  
42 (2) of this subsection shall include domestic partners as provided in  
43 paragraph (1) of this subsection.

44 (cf: P.L.2005, c.64, s.2)

45

46 10. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read  
47 as follows:

48 6. As used in this act:

1 a. "Accumulated deductions" means the sum of all the  
2 amounts, deducted from the compensation of a member or  
3 contributed by or on behalf of the member, standing to the credit of  
4 the member's individual account in the annuity savings fund.

5 b. "Annuity" means payments for life derived from the  
6 accumulated deductions of a member as provided in this act.

7 c. "Annuity reserve" means the present value of all payments  
8 to be made on account of any annuity or benefit in lieu of an  
9 annuity, granted under the provisions of this act, computed on the  
10 basis of such mortality tables recommended by the actuary as the  
11 board of trustees adopts, with regular interest.

12 d. "Beneficiary" means any person receiving a retirement  
13 allowance or other benefit as provided in this act.

14 e. "Child" means a deceased member's unmarried child either  
15 (1) under the age of 18 or (2) of any age who, at the time of the  
16 member's death, is disabled because of mental retardation or  
17 physical incapacity, is unable to do any substantial, gainful work  
18 because of the impairment and the impairment has lasted or can be  
19 expected to last for a continuous period of not less than 12 months,  
20 as affirmed by the medical board.

21 f. "Parent" shall mean the parent of a member who was  
22 receiving at least 1/2 of the parent's support from the member in the  
23 12-month period immediately preceding the member's death or the  
24 accident which was the direct cause of the member's death. The  
25 dependency of such a parent will be considered terminated by  
26 marriage of the parent subsequent to the death of the member.

27 g. (1) "Widower," for employees of the State, means the man to  
28 whom a member was married, or a domestic partner as defined in  
29 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
30 the date of her death and to whom she continued to be married or a  
31 domestic partner until the date of her death and who was receiving  
32 at least 1/2 of his support from the member in the 12-month period  
33 immediately preceding the member's death or the accident which  
34 was the direct cause of the member's death. The dependency of  
35 such a widower will be considered terminated by marriage of, or  
36 establishment of a domestic partnership by, the widower subsequent  
37 to the death of the member. In the event of the payment of an  
38 accidental death benefit, the five-year qualification shall be waived.

39 (2) Subject to the provisions of paragraph (3) of this subsection,  
40 "widower," for employees of public employers other than the State,  
41 means the man to whom a member was married at least five years  
42 before the date of her death and to whom she continued to be  
43 married until the date of her death and who was receiving at least  
44 1/2 of his support from the member in the 12-month period  
45 immediately preceding the member's death or the accident which  
46 was the direct cause of the member's death. The dependency of  
47 such a widower shall be considered terminated by marriage of the  
48 widower subsequent to the death of the member. In the event of the

1 payment of an accidental death benefit, the five-year qualification  
2 shall be waived.

3 (3) A public employer other than the State may adopt a  
4 resolution providing that the term "widower" as defined in  
5 paragraph (2) of this subsection shall include domestic partners as  
6 provided in paragraph (1) of this subsection.

7 h. "Final compensation" means the average annual  
8 compensation for which contributions are made for the three years  
9 of creditable service in New Jersey immediately preceding the  
10 member's retirement or death, or it shall mean the average annual  
11 compensation for New Jersey service for which contributions are  
12 made during any three fiscal years of his or her membership  
13 providing the largest possible benefit to the member or the  
14 member's beneficiary.

15 i. "Fiscal year" means any year commencing with July 1 and  
16 ending with June 30 next following.

17 j. "Medical board" shall mean the board of physicians  
18 provided for in section 17 (C.43:15A-17).

19 k. "Pension" means payments for life derived from  
20 appropriations made by the employer as provided in this act.

21 l. "Pension reserve" means the present value of all payments to  
22 be made on account of any pension or benefit in lieu of a pension  
23 granted under the provisions of this act, computed on the basis of  
24 such mortality tables recommended by the actuary as the board of  
25 trustees adopts, with regular interest.

26 m. "Public Employees' Retirement System of New Jersey,"  
27 hereinafter referred to as the "retirement system" or "system," is the  
28 corporate name of the arrangement for the payment of retirement  
29 allowances and other benefits under the provisions of this act  
30 including the several funds placed under said system. By that name  
31 all of its business shall be transacted, its funds invested, warrants  
32 for money drawn, and payments made and all of its cash and  
33 securities and other property held.

34 n. "Regular interest" shall mean interest as determined by the  
35 State Treasurer, after consultation with the Directors of the  
36 Divisions of Investment and Pensions, the board of trustees and the  
37 actuary. It shall bear a reasonable relationship to the percentage  
38 rate of earnings on investments based on the market value of the  
39 assets but shall not exceed the assumed percentage rate of increase  
40 applied to salaries plus 3%, provided however that the board of  
41 trustees shall not set the average percentage rate of increase applied  
42 to salaries below 6%.

43 o. "Retirement allowance" means the pension plus the annuity.

44 p. "Veteran" means any honorably discharged officer, soldier,  
45 sailor, airman, marine or nurse who served in any Army, Air Force  
46 or Navy of the Allies of the United States in World War I, between  
47 July 14, 1914, and November 11, 1918, or who served in any Army,  
48 Air Force or Navy of the Allies of the United States in World War

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19

1 II, between September 1, 1939, and September 2, 1945, and who  
2 was inducted into such service through voluntary enlistment, and  
3 was a citizen of the United States at the time of such enlistment, and  
4 who did not, during or by reason of such service, renounce or lose  
5 United States citizenship, and any officer, soldier, sailor, marine,  
6 airman, nurse or army field clerk, who has served in the active  
7 military or naval service of the United States and has or shall be  
8 discharged or released therefrom under conditions other than  
9 dishonorable, in any of the following wars, uprisings, insurrections,  
10 expeditions, or emergencies, and who has presented to the  
11 retirement system evidence of such record of service in form and  
12 content satisfactory to said retirement system:

13 (1) The Indian wars and uprisings during any of the periods  
14 recognized by the War Department of the United States as periods  
15 of active hostility;

16 (2) The Spanish-American War between April 20, 1898, and  
17 April 11, 1899;

18 (3) The Philippine insurrections and expeditions during the  
19 periods recognized by the War Department of the United States as  
20 of active hostility from February 4, 1899, to the end of 1913;

21 (4) The Peking relief expedition between June 20, 1900, and  
22 May 27, 1902;

23 (5) The army of Cuban occupation between July 18, 1898, and  
24 May 20, 1902;

25 (6) The army of Cuban pacification between October 6, 1906,  
26 and April 1, 1909;

27 (7) The Mexican punitive expedition between March 14, 1916,  
28 and February 7, 1917;

29 (8) The Mexican border patrol, having actually participated in  
30 engagements against Mexicans between April 12, 1911, and June  
31 16, 1919;

32 (9) World War I, between April 6, 1917, and November 11,  
33 1918;

34 (10) World War II, between September 16, 1940, and December  
35 31, 1946, who shall have served at least 90 days in such active  
36 service, exclusive of any period of assignment (1) for a course of  
37 education or training under the Army Specialized Training Program  
38 or the Navy College Training Program which course was a  
39 continuation of a civilian course and was pursued to completion, or  
40 (2) as a cadet or midshipman at one of the service academies any  
41 part of which 90 days was served between said dates; provided, that  
42 any person receiving an actual service-incurred injury or disability  
43 shall be classed as a veteran whether or not that person has  
44 completed the 90-day service as herein provided;

45 (11) Korean conflict on or after June 23, 1950, and on or prior to  
46 January 31, 1955, who shall have served at least 90 days in such  
47 active service, exclusive of any period of assignment (1) for a  
48 course of education or training under the Army Specialized

1 Training Program or the Navy College Training Program which  
2 course was a continuation of a civilian course and was pursued to  
3 completion, or (2) as a cadet or midshipman at one of the service  
4 academies, any part of which 90 days was served between said  
5 dates; provided, that any person receiving an actual service-incurred  
6 injury or disability shall be classed as a veteran whether or not that  
7 person has completed the 90-day service as herein provided; and  
8 provided further, that any member classed as a veteran pursuant to  
9 this paragraph prior to August 1, 1966, shall continue to be classed  
10 as a veteran whether or not that person completed the 90-day  
11 service between said dates as herein provided;

12 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
13 Lebanon or on board any ship actively engaged in patrolling the  
14 territorial waters of that nation for a period, continuous or in the  
15 aggregate, of at least 14 days commencing on or before November  
16 1, 1958 or the date of termination of that conflict, as proclaimed by  
17 the President of the United States or Congress, whichever date of  
18 termination is the latest, in such active service; provided, that any  
19 person receiving an actual service-incurred injury or disability shall  
20 be classed as a veteran whether or not that person has completed the  
21 14 days' service as herein provided;

22 (13) Vietnam conflict on or after December 31, 1960, and on or  
23 prior to May 7, 1975, who shall have served at least 90 days in such  
24 active service, exclusive of any period of assignment (1) for a  
25 course of education or training under the Army Specialized  
26 Training Program or the Navy College Training Program which  
27 course was a continuation of a civilian course and was pursued to  
28 completion, or (2) as a cadet or midshipman at one of the service  
29 academies, any part of which 90 days was served between said  
30 dates; and exclusive of any service performed pursuant to the  
31 provisions of section 511(d) of Title 10, United States Code,  
32 pursuant to an enlistment in the Army National Guard or as a  
33 reserve for service in the Army Reserve, Naval Reserve, Air Force  
34 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
35 that any person receiving an actual service-incurred injury or  
36 disability shall be classed as a veteran whether or not that person  
37 has completed the 90 days' service as herein provided;

38 (14) Lebanon peacekeeping mission, on or after September 26,  
39 1982, who has served in Lebanon or on board any ship actively  
40 engaged in patrolling the territorial waters of that nation for a  
41 period, continuous or in the aggregate, of at least 14 days  
42 commencing on or before December 1, 1987 or the date of  
43 termination of that mission, as proclaimed by the President of the  
44 United States or Congress, whichever date of termination is the  
45 latest, in such active service; provided, that any person receiving an  
46 actual service-incurred injury or disability shall be classed as a  
47 veteran whether or not that person has completed the 14 days'  
48 service as herein provided;

1 (15) Grenada peacekeeping mission, on or after October 23,  
2 1983, who has served in Grenada or on board any ship actively  
3 engaged in patrolling the territorial waters of that nation for a  
4 period, continuous or in the aggregate, of at least 14 days  
5 commencing on or before November 21, 1983 or the date of  
6 termination of that mission, as proclaimed by the President of the  
7 United States or Congress, whichever date of termination is the  
8 latest, in such active service; provided, that any person receiving an  
9 actual service-incurred injury or disability shall be classed as a  
10 veteran whether or not that person has completed the 14 days'  
11 service as herein provided;

12 (16) Panama peacekeeping mission, on or after December 20,  
13 1989 or the date of inception of that mission, as proclaimed by the  
14 President of the United States or Congress, whichever date of  
15 inception is earliest, who has served in Panama or on board any ship  
16 actively engaged in patrolling the territorial waters of that nation for  
17 a period, continuous or in the aggregate, of at least 14 days  
18 commencing on or before January 31, 1990 or the date of  
19 termination of that mission, as proclaimed by the President of the  
20 United States or Congress, whichever date of termination is the  
21 latest, in such active service; provided, that any person receiving an  
22 actual service-incurred injury or disability shall be classed as a  
23 veteran whether or not that person has completed the 14 days'  
24 service as herein provided;

25 (17) Operation "Desert Shield/Desert Storm" mission in the  
26 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
27 or the date of inception of that operation, as proclaimed by the  
28 President of the United States or Congress, whichever date of  
29 inception is earliest, who has served in the Arabian peninsula or on  
30 board any ship actively engaged in patrolling the Persian Gulf for a  
31 period, continuous or in the aggregate, of at least 14 days  
32 commencing on or before the date of termination of that mission, as  
33 proclaimed by the President of the United States or Congress,  
34 whichever date of termination is the latest, in such active service;  
35 provided, that any person receiving an actual service-incurred injury  
36 or disability shall be classed as a veteran whether or not that person  
37 has completed the 14 days' service as herein provided;

38 (18) Operation Northern Watch and Operation Southern Watch,  
39 on or after August 27, 1992, or the date of inception of that  
40 operation, as proclaimed by the President of the United States,  
41 Congress or United States Secretary of Defense, whichever date of  
42 inception is earliest, who served in the theater of operation,  
43 including in the Arabian peninsula and the Persian Gulf, and in  
44 direct support of that operation for a period, continuously or in the  
45 aggregate, of at least 14 days in such active service, commencing on  
46 or before the date of termination of that operation, as proclaimed by  
47 the President of the United States, Congress or United States  
48 Secretary of Defense, whichever date of termination is the latest;

1 provided, that any person receiving an actual service-incurred injury  
2 or disability while engaged in such service shall be classed as a  
3 veteran whether or not that person has completed the 14 days'  
4 service as herein provided;

5 (19) Operation "Restore Hope" in Somalia, on or after December  
6 5, 1992, or the date of inception of that operation as proclaimed by  
7 the President of the United States or Congress, whichever date is  
8 earliest, who has served in Somalia or on board any ship actively  
9 engaged in patrolling the territorial waters of that nation for a  
10 period, continuously or in the aggregate, of at least 14 days in such  
11 active service commencing on or before March 31, 1994; provided  
12 that any person receiving an actual service-incurred injury or  
13 disability shall be classed as a veteran whether or not that person  
14 has completed the 14-day service as herein provided;

15 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
16 Republic of Bosnia and Herzegovina, on or after November 20,  
17 1995, who served in such active service in direct support of one or  
18 both of the operations for at least 14 days, continuously or in the  
19 aggregate, commencing on or before June 20, 1998 and (1) was  
20 deployed in that nation or in another area in the region, or (2) was  
21 on board a United States naval vessel operating in the Adriatic Sea,  
22 or (3) operated in airspace above the Republic of Bosnia and  
23 Herzegovina; provided that any person receiving an actual service-  
24 incurred injury or disability shall be classed as a veteran whether or  
25 not that person completed the 14-day service requirement;

26 (21) Operation "Enduring Freedom", on or after September 11,  
27 2001, who served in a theater of operation and in direct support of  
28 that operation for a period, continuously or in the aggregate, of at  
29 least 14 days in such active service commencing on or before the  
30 date the President of the United States or the United States  
31 Secretary of Defense designates as the termination date of that  
32 operation; provided, that any person receiving an actual service-  
33 incurred injury or disability while engaged in such service shall be  
34 classed as a veteran whether or not that person has completed the 14  
35 days' service as herein provided; and

36 (22) Operation "Iraqi Freedom", on or after the date the President  
37 of the United States or the United States Secretary of Defense  
38 designates as the inception date of that operation, who served in  
39 Iraq or in another area in the region in direct support of that  
40 operation for a period, continuously or in the aggregate, of at least  
41 14 days in such active service commencing on or before the date the  
42 President of the United States or the United States Secretary of  
43 Defense designates as the termination date of that operation;  
44 provided, that any person receiving an actual service-incurred injury  
45 or disability while engaged in such service shall be classed as a  
46 veteran whether or not that person has completed the 14 days'  
47 service as herein provided.



1 "Veteran" also means any honorably discharged member of the  
2 American Merchant Marine who served during World War II and is  
3 declared by the United States Department of Defense to be eligible  
4 for federal veterans' benefits.

5 q. (1) "Widow," for employees of the State, means the woman to  
6 whom a member was married, or a domestic partner as defined in  
7 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
8 the date of his death and to whom he continued to be married or a  
9 domestic partner until the date of his death and who was receiving  
10 at least 1/2 of her support from the member in the 12-month period  
11 immediately preceding the member's death or the accident which  
12 was the direct cause of the member's death. The dependency of  
13 such a widow will be considered terminated by the marriage of, or  
14 establishment of a domestic partnership by, the widow subsequent  
15 to the member's death. In the event of the payment of an accidental  
16 death benefit, the five-year qualification shall be waived.

17 (2) Subject to the provisions of paragraph (3) of this subsection,  
18 "widow," for employees of public employers other than the State,  
19 means the woman to whom a member was married at least five  
20 years before the date of his death and to whom he continued to be  
21 married until the date of his death and who was receiving at least  
22 1/2 of her support from the member in the 12-month period  
23 immediately preceding the member's death or the accident which  
24 was the direct cause of the member's death. The dependency of  
25 such a widow shall be considered terminated by the marriage of the  
26 widow subsequent to the member's death. In the event of the  
27 payment of an accidental death benefit, the five-year qualification  
28 shall be waived.

29 (3) A public employer other than the State may adopt a  
30 resolution providing that the term "widow" as defined in paragraph  
31 (2) of this subsection shall include domestic partners as provided in  
32 paragraph (1) of this subsection.

33 r. (1) "Compensation" means the base or contractual salary,  
34 for services as an employee, which is in accordance with  
35 established salary policies of the member's employer for all  
36 employees in the same position but shall not include individual  
37 salary adjustments which are granted primarily in anticipation of  
38 the member's retirement or additional remuneration for performing  
39 temporary or extracurricular duties beyond the regular workday or  
40 the regular work year.

41 (2) In the case of a person who becomes a member of the  
42 retirement system on or after July 1, 2007, "compensation" means  
43 the amount of base or contractual salary equivalent to the annual  
44 maximum wage contribution base for Social Security, pursuant to  
45 the federal Insurance Contributions Act, for services as an  
46 employee, which is in accordance with established salary policies of  
47 the member's employer for all employees in the same position but  
48 shall not include individual salary adjustments which are granted

1 primarily in anticipation of the member's retirement or additional  
2 remuneration for performing temporary or extracurricular duties  
3 beyond the regular workday or the regular work year. This  
4 paragraph shall not apply to a person who at the time of enrollment  
5 in the retirement system on or after July 1, 2007 transfers service  
6 credit from another State-administered retirement system pursuant  
7 to section 14 of P.L.1954, c.84 (C.43:15A-14), but shall apply to a  
8 former member of the retirement system who has been granted a  
9 retirement allowance and is reenrolled in the retirement system on  
10 or after July 1, 2007 pursuant to section 27 of P.L.1966, c.217  
11 (C.43:15A-57.2) after becoming employed again in a position that  
12 makes the person eligible to be a member of the retirement system.

13 In cases where salary includes maintenance, the retirement  
14 system shall fix the value of that part of the salary not paid in  
15 money which shall be considered under this act.

16 (cf: P.L.2005, c.64, s.3)

17

18 11. Section 1 of P.L.2007, c.92 (C.43:15C-1) is amended to read  
19 as follows:

20 1. There is hereby established in the Department of the  
21 Treasury a Defined Contribution Retirement Program. The program  
22 design shall be one that is permitted for governmental plans under  
23 the federal Internal Revenue Code as determined by the State  
24 Treasurer. The retirement program is deemed to be a pension fund  
25 or retirement system for purposes of P.L.1968, c.23 (C.43:3C-1 et  
26 seq.). For the purposes of the Defined Contribution Retirement  
27 Program:

28 "Base salary" means a participant's regular base salary; except  
29 that for a participant pursuant to paragraph (5) of subsection a. of  
30 section 2 of P.L.2007, c.92 (C.43:15C-2), it shall mean the excess  
31 over the maximum compensation as specified in that paragraph. It  
32 shall exclude overtime or other forms of extra compensation,  
33 including but not limited to, longevity lump sum payments, lump  
34 sum terminal sick leave or vacation pay, the value of maintenance,  
35 individual pay adjustments made within or at the conclusion of the  
36 participant's final year of service, retroactive salary adjustments or  
37 other pay adjustments made in the participant's final year of service  
38 unless the adjustment was made as a result of a general pay  
39 adjustment for all personnel of the public office or agency in which  
40 the participant is employed, or any unscheduled individual  
41 adjustment made in the final year to place the participant at the  
42 maximum salary level within salary range.

43 "Employer" means the State or a political subdivision thereof, or  
44 an agency, board, commission, authority or instrumentality of the  
45 State or a subdivision, that pays the base salary of a participant for  
46 services rendered by the participant.

47 "Retirement program" means the Defined Contribution

1 Retirement Program established by this section.

2 (cf: P.L.2007, c.92, s.1)

3

4 12. Section 2 of P.L.2007, c.92 (C.43:15C-2) is amended to read  
5 as follows:

6 2. a. The following persons shall be eligible and shall  
7 participate in the Defined Contribution Retirement Program.

8 (1) A person who commences service on or after the effective  
9 date of this section of P.L.2007, c.92 (C.43:15C-1 et al.) in an  
10 elective public office of this State or of a political subdivision  
11 thereof, except that it shall not include a person who holds elective  
12 public office on the effective date of this section and is enrolled in  
13 the Public Employees' Retirement System while that person  
14 continues to hold that elective public office without a break in  
15 service. Service in the Legislature shall be considered a single  
16 elective public office.

17 (2) A person who commences service on or after the effective  
18 date of this section in an employment, office or position of the State  
19 or of a political subdivision thereof, or an agency, board,  
20 commission, authority or instrumentality of the State or of a  
21 subdivision, pursuant to an appointment by the Governor that  
22 requires the advice and consent of the Senate, or pursuant to an  
23 appointment by the Governor to serve at the pleasure of the  
24 Governor only during his or her term of office. This paragraph  
25 shall not be deemed to include a person otherwise eligible for  
26 membership in the State Police Retirement System or the Judicial  
27 Retirement System.

28 (3) A person who commences service on or after the effective  
29 date of this section in an employment, office or position in a  
30 political subdivision of the State, or an agency, board, commission,  
31 authority or instrumentality of a subdivision, pursuant to an  
32 appointment by an elected public official or elected governing  
33 body, that requires the specific consent or approval of the elected  
34 governing body of the political subdivision that is substantially  
35 similar in nature to the advice and consent of the Senate for  
36 appointments by the Governor of the State as that similarity is  
37 determined by the elected governing body and set forth in an  
38 adopted ordinance or resolution, pursuant to guidelines or policy  
39 that shall be established by the Local Finance Board in the  
40 Department of Community Affairs or the Department of Education,  
41 as appropriate to the elected governing body. This paragraph shall  
42 not be deemed to include a person otherwise eligible for  
43 membership in the Teachers' Pension and Annuity Fund or the  
44 Police and Firemen's Retirement System, or a person who is  
45 employed or appointed in the regular or normal course of  
46 employment or appointment procedures and consented to or  
47 approved in a general or routine manner appropriate for and  
48 followed by the political subdivision, or the agency, board,

1 commission, authority or instrumentality of a subdivision, or a  
2 person who holds a professional license or certificate to perform  
3 and is performing as a certified health officer, tax assessor, tax  
4 collector, municipal planner, chief financial officer, registered  
5 municipal clerk, construction code official, licensed uniform  
6 subcode inspector, qualified purchasing agent, or certified public  
7 works manager.

8 (4) A person who is granted a pension or retirement allowance  
9 under any pension fund or retirement system established under the  
10 laws of this State and elects to participate pursuant to section 1 of  
11 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

12 (5) A member of the Teachers' Pension and Annuity Fund or the  
13 Public Employees' Retirement System for whom compensation is  
14 defined as the amount of base or contractual salary equivalent to the  
15 annual maximum wage contribution base for Social Security,  
16 pursuant to the federal Insurance Contributions Act, for  
17 contribution and benefit purposes in either of those retirement  
18 systems, for whom participation in this retirement program shall be  
19 with regard to any excess over the maximum compensation only.

20 b. No person shall be eligible to participate in the retirement  
21 program with respect to any public employment, office, or position  
22 if:

23 (1) the base salary for that employment, office, or position is  
24 less than \$1,500 per year;

25 (2) the person is, on the basis of service in that employment,  
26 office, or position, eligible for membership or enrolled as a member  
27 of another State or locally-administered pension fund or retirement  
28 system established under the laws of this State including the  
29 Alternate Benefit Program, except as otherwise specifically  
30 provided in subsection a. of this section;

31 (3) the person is receiving a benefit as a retiree from any other  
32 State or locally-administered pension fund or retirement system  
33 established under the laws of this State, except as provided in  
34 section 1 of P.L.1977, c.171 (C.43:3C-3); or

35 (4) the person is an officer or employee of a political  
36 subdivision of this State or of a board of education, or of any  
37 agency, authority or instrumentality thereof, who is ineligible for  
38 membership in the Public Employees' Retirement System pursuant  
39 to section 20 of P.L.2007, c.92 (C.43:15A-7.2).

40 c. A person eligible and required to participate in the  
41 retirement program whose base salary is less than \$5,000 may at the  
42 commencement of service in an employment, office or position, or a  
43 person eligible and required to participate in the retirement program  
44 pursuant to paragraph (5) of subsection a. of this section may,  
45 irrevocably elect to waive participation with regard to that  
46 employment, office, or position by filing, at the time and on a form  
47 required by the division, a written waiver with the Division of  
48 Pensions and Benefits that waives all rights and benefits that would

1 otherwise be provided by the retirement program.

2 d. Service credited to a participant in the Defined Contribution  
3 Retirement Program shall not be recognized as service credit to  
4 determine eligibility for employer-paid health care benefits in  
5 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),  
6 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or  
7 any other law, rule or regulation.  
8 (cf: P.L.2007, c.92, s.2)

9  
10 13. Section 7 of P.L.2007, c.92 (C.43:15C-7) is amended to read  
11 as follows:

12 7. The benefit under a group contract or contracts providing life  
13 insurance shall be in an amount equal to one and one-half the base  
14 annual salary of the participant in the retirement program, except  
15 that in the event of death after retirement, the amount payable shall  
16 equal 3/16 of the participant's base annual salary. "Base annual  
17 salary" means the base salary upon which contributions by the  
18 participant and the participant's employer to the retirement program  
19 were based during the last year of creditable service.

20 For purposes of this section, a participant shall be deemed to be  
21 in service and covered by the group life insurance for a period of  
22 official leave of absence without pay when such leave is due to  
23 illness or any reason other than illness, with such period to be  
24 determined by the Division of Pensions and Benefits, if satisfactory  
25 evidence is presented to the division of such official leave of  
26 absence. A participant shall be deemed to be on an official leave of  
27 absence only if the leave is formally approved by the employer  
28 prior to the time the leave commenced and timely notice is filed by  
29 the employer with the division. If timely notice is not filed, the  
30 employer shall be responsible for the payment of any benefits  
31 pursuant to this section if the participant was otherwise eligible for  
32 such benefits.

33 In the event of the death of a participant in active service in the  
34 first year of participation as a result of an accident met in the actual  
35 performance of duty at some definite time and place, the death  
36 benefit payable pursuant to this section shall be computed at the  
37 annual rate of base salary.

38 No beneficiary of a retired participant shall be entitled to receive  
39 the death benefits payable in the event of death after retirement  
40 pursuant to this section unless the participant either: had at least 25  
41 years of credited participation in the retirement program established  
42 pursuant to this act; or had at least 10 years of such credited  
43 participation and had attained 60 years of age and was an actively  
44 employed participant in the program in the year immediately  
45 preceding initial receipt of a retirement annuity. For a member who  
46 is a participant pursuant to paragraph (5) of subsection a. of section  
47 2 of P.L.2007, c.92 (C.43:15C-2), service credit in the Teachers'  
48 Pension and Annuity Fund or the Public Employees' Retirement

1 System shall also be considered in determining if the participant  
2 met the requirements of this paragraph.

3 (cf: P.L.2007, c.92, s.7)

4

5 14. Section 11 of P.L.2007, c.92 (C.43:15C-11) is amended to  
6 read as follows:

7 11. Any person entitled to become a participant in the retirement  
8 program shall not be allowed any of the group life insurance and  
9 disability benefits if on the date of filing an application for  
10 participation the person is 60 or more years of age, or if the person  
11 makes application for participation in the retirement program  
12 beyond the year after first becoming eligible for participation,  
13 regardless of age, unless the participant furnishes satisfactory  
14 evidence of insurability and on the effective date of participation is  
15 actively at work and performing all regular duties at the customary  
16 place of employment.

17 The effective date of coverage for such benefits shall be the first  
18 day of the month which immediately follows the date when such  
19 evidence is determined to be satisfactory.

20 Such evidence of insurability shall not be required of any person  
21 enrolling in the retirement program upon transfer from another  
22 State-administered retirement system, if such retirement system  
23 provided a benefit of a similar nature and the transferring person  
24 was covered by such a benefit at the time of the transfer. If such  
25 transferring person was not covered by such a benefit at the time of  
26 the transfer, the person may be allowed the benefit under the group  
27 policy or policies; however, any such person shall furnish  
28 satisfactory evidence of insurability if he had been unable or failed  
29 to give such evidence as a member of the retirement system from  
30 which the person transferred. Such evidence of insurability shall  
31 not be required of any member of the Teachers' Pension and  
32 Annuity Fund or the Public Employees' Retirement System who is  
33 enrolling in the retirement program pursuant to paragraph (5) of  
34 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), if such  
35 retirement system provides a benefit of a similar nature and the  
36 participant is covered by such a benefit at the time of enrollment in  
37 the program.

38 Any person who must furnish satisfactory evidence of  
39 insurability under the provisions of this section and who ceases to  
40 be a participant in the retirement program without such evidence  
41 having been given shall continue to be subject to the same  
42 requirement if the person subsequently becomes a participant.

43 (cf: P.L.2007, c.92, s.11)

44

45 15. Section 13 of P.L.2007, c.92 (C.43:15C-13) is amended to  
46 read as follows:

47 13. The disability benefit coverage provided under a group  
48 policy or policies shall provide a monthly income if the participant

1 becomes totally disabled from occupational or nonoccupational  
2 causes for a period of at least six consecutive months following the  
3 effective date of the coverage. The monthly disability benefit may  
4 be paid by the insurance company so long as the participant remains  
5 disabled up to the seventieth birthday, provided the disability  
6 commenced prior to the sixtieth birthday. The benefit shall  
7 terminate when the participant is no longer considered totally  
8 disabled or begins to receive retirement benefits.

9 The participant shall be considered totally disabled if the  
10 participant is unable to perform each duty of the participant's  
11 occupation and is under the regular care of a physician. After the  
12 24 months following the commencement of such disability benefit  
13 payments, the participant shall be unable to engage in any gainful  
14 occupation for which the participant is reasonably fitted by  
15 education, training or experience. Total disability shall not be  
16 considered to exist if the participant is gainfully employed.  
17 Following an agreement with the insurance company and the  
18 policyholder, the participant may continue to receive disability  
19 benefits for a limited time while performing some type of work.  
20 During the period of rehabilitation, the monthly benefit shall be the  
21 regular payment less 80% of the participant's earnings from such  
22 rehabilitative position.

23 A participant shall be deemed to be in service and covered by the  
24 disability benefit insurance provisions for a period of no more than  
25 six months while on official leave of absence without pay if  
26 satisfactory evidence is presented to the Division of Pensions and  
27 Benefits that such leave of absence without pay is due to illness and  
28 that the participant was not actively engaged in any gainful  
29 occupation during such period of leave of absence without pay.

30 Disability benefit insurance provisions of the group policy or  
31 policies shall not cover disability resulting from or contributed to  
32 by pregnancy, act of war, intentionally self-inflicted injury, or  
33 attempted suicide whether or not sane. For purposes of such  
34 disability benefit coverage, the participant shall not be considered  
35 to be disabled while the participant is imprisoned or while outside  
36 the United States, its territories or possessions, or Canada.

37 If the participant has recovered from the disability for which the  
38 member had received benefits and again becomes totally disabled  
39 while insured, the later disability shall be regarded as a continuation  
40 of the prior one unless the participant has returned to full-time  
41 covered employment for at least six months. If the later absence is  
42 due to an unrelated cause and the participant had returned to full-  
43 time work, it shall be considered a new disability. The disability  
44 benefit insurance cannot be converted to an individual policy.

45 No participant shall be covered by the disability benefit  
46 provision of the group policy or policies except upon the  
47 completion of one year of full-time continuous employment in a  
48 position eligible for participation in the Defined Contribution

1 Retirement Program. For a member who is a participant pursuant to  
2 paragraph (5) of subsection a. of section 2 of P.L.2007, c.92  
3 (C.43:15C-2), completion of one year of full-time continuous  
4 employment in a position eligible for membership in the Teachers'  
5 Pension and Annuity Fund or the Public Employees' Retirement  
6 System shall also be considered in determining if the participant  
7 met the requirements of this paragraph.

8 (cf: P.L.2007, c.92, s.13)

9

10 16. Section 14 of P.L.2007, c.92 (C.43:15C-14) is amended to  
11 read as follows:

12 14. The disability benefit provided under a group policy or  
13 policies shall be in an amount equal to 60% of the participant's base  
14 monthly salary, reduced by periodic benefits to which the  
15 participant may be entitled during the period of total disability. For  
16 a member who is a participant pursuant to paragraph (5) of  
17 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), base  
18 monthly salary for this disability benefit shall mean the base or  
19 contractual salary upon which contributions were made to the  
20 Teachers' Pension and Annuity Fund or the Public Employees'  
21 Retirement System and to this program.

22 The periodic benefit by which the monthly disability benefit may  
23 be reduced shall include salary or wages, retirement benefits or  
24 benefits from any source for which the State or other public  
25 employer has paid any part of the cost or made payroll deductions,  
26 Social Security disability or other benefits, including dependents'  
27 benefits, and benefits paid by Social Security at the option of the  
28 participant before the age of 65, but not including any increase in  
29 Social Security benefits enacted after the disability benefit under  
30 such group policy or policies have commenced, and any other  
31 periodic benefits provided by law except on account of military  
32 service.

33 When a participant begins to receive a disability benefit under  
34 such group policy or policies, the insurance company shall pay an  
35 amount equal to the employee contribution which would have been  
36 required of the participant and deducted from the participant's base  
37 salary in order to meet the participant's obligation for the program.  
38 Such amount shall be paid by the insurance company without  
39 reduction by any other periodic benefit which the participant is  
40 eligible to receive. Such amount shall be paid by the insurance  
41 company to the insurer or insurers for the participant's retirement  
42 annuity.

43 Premiums for such disability coverage shall be paid from a  
44 special fund, hereby created, called the "Defined Contribution  
45 Retirement Program Disability Premium Fund." The State  
46 Treasurer shall estimate annually the amount that will be required  
47 for premiums for such benefits for the ensuing fiscal year and shall  
48 certify such amounts that shall be applied to the total State and



1 other employer contributions due on behalf of the participants in the  
2 retirement program from the State and other employers, depositing  
3 such amounts in the premium fund. Additionally, employers will  
4 pay their share of the administrative costs of the program. The  
5 intervals for all payments and the allocation of administrative costs  
6 shall be determined by the Division of Pensions and Benefits  
7 including due dates and penalties for non compliance.

8 (cf: P.L.2007, c.92, s.14)

9

10 17. N.J.S.18A:66-15 is amended to read as follows:

11 18A:66-15. In computing for retirement or for purposes of  
12 resignation or separation from service under sections 18A:66-36  
13 and 18A:66-37 the total service of a member about to be retired, the  
14 retirement system shall credit him with all service rendered by him  
15 since he last became a member and in addition, with all the service  
16 to which he is entitled and with no other service. Except as  
17 otherwise provided in this article, such service credit shall be final  
18 and conclusive for retirement purposes, or for purposes of  
19 resignation under sections 18A:66-36 and 18A:66-37, unless the  
20 member shall discontinue his service for more than two consecutive  
21 years. In the case of a member for whom compensation is defined in  
22 paragraph (2) of subsection d. of N.J.S.18A:66-2, the retirement  
23 system shall credit the member with the time of all service rendered  
24 by the member during the part of any year that the member was a  
25 participant of the Defined Contribution Retirement Program,  
26 pursuant to paragraph (5) of subsection a. of section 2 of P.L.2007,  
27 c.92 (C.43:15C-2), and making contributions to that program.

28 For the purpose of computing service for retirement purposes,  
29 the board of trustees shall fix and determine by appropriate rules  
30 and regulations how much service in any year shall equal a year of  
31 service and part of a year of service. Not more than one year shall  
32 be credited for all service in a calendar year.

33 (cf: N.J.S.18A:66-15)

34

35 18. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to  
36 read as follows:

37 39. In computing for retirement purposes the total service of a  
38 member about to be retired, the retirement system shall credit the  
39 member with the time of all service rendered by the member since  
40 that member's last enrollment, and in addition with all the service to  
41 which the member is entitled and with no other service. Except as  
42 otherwise provided in this act, this service credit shall be final and  
43 conclusive for retirement purposes unless the member shall  
44 discontinue service for more than two consecutive years. In the  
45 case of a member for whom compensation is defined in paragraph  
46 (2) of subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the  
47 retirement system shall credit the member with the time of all  
48 service rendered by the member during the part of any year that the

1 member was a participant of the Defined Contribution Retirement  
2 Program, pursuant to paragraph (5) of subsection a. of section 2 of  
3 P.L.2007, c.92 (C.43:15C-2), and making contributions to that  
4 program.

5 For the purpose of computing service for retirement purposes,  
6 the board shall fix and determine by appropriate rules and  
7 regulations how much service in any year shall equal a year of  
8 service and a part of a year of service. Not more than one year shall  
9 be credited for all service in a calendar year. A member may  
10 purchase credit for time during which the member shall have been  
11 absent on an official leave without pay. The credit shall be  
12 purchased for a period of time equal to:

13 (1) three months or the duration of the leave, whichever is less;

14 or

15 (2) if the leave was due to the member's personal illness, two  
16 years or the duration of the leave, whichever is less; or

17 (3) the period of leave that is specifically allowed for retirement  
18 purposes by the provisions of any law of this State.

19 The purchase shall be made in the same manner and be subject to  
20 the same terms and conditions provided for the purchase of previous  
21 membership service credit by section 8 of P.L.1954, c.54  
22 (C.43:15A-8). In computing the service or in computing final  
23 compensation, no time during which a member was in employment,  
24 office, or position for which the annual salary or remuneration was  
25 fixed at less than \$500.00 in the case of service rendered prior to  
26 November 6, 1986, or less than \$1,500.00 in the case of service  
27 rendered on or after that date, shall be credited, except that in the  
28 case of a veteran member credit shall be given for service rendered  
29 prior to January 2, 1955, in an employment, office or position if the  
30 annual salary or remuneration therefor was fixed at not less than  
31 \$300.00 and such service consisted of the performance of the full  
32 duties of the employment, office or position.

33 (cf: P.L.1991, c.138, s.10)

34

35 19. Section 2 of P.L.1961, c.49 (C.52:14-17.26) is amended to  
36 read as follows:

37 2. As used in this act:

38 (a) The term "State" means the State of New Jersey.

39 (b) The term "commission" means the State Health Benefits  
40 Commission, created by section 3 of this act.

41 (c) The term "employee" means an appointive or elective officer  
42 or full-time employee of the State of New Jersey. For the purposes  
43 of this act an employee of Rutgers, The State University of New  
44 Jersey, shall be deemed to be an employee of the State, and an  
45 employee of the New Jersey Institute of Technology shall be  
46 considered to be an employee of the State during such time as the  
47 Trustees of the Institute are party to a contractual agreement with  
48 the State Treasurer for the provision of educational services. The

1 term "employee" shall further mean, for purposes of this act, a  
2 former employee of the South Jersey Port Corporation, who is  
3 employed by a subsidiary corporation or other corporation, which  
4 has been established by the Delaware River Port Authority pursuant  
5 to subdivision (m) of Article I of the compact creating the Delaware  
6 River Port Authority (R.S.32:3-2), as defined in section 3 of  
7 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued  
8 membership in the Public Employees' Retirement System pursuant  
9 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

10 For the purposes of this act the term "employee" shall not  
11 include persons employed on a short-term, seasonal, intermittent or  
12 emergency basis, persons compensated on a fee basis, persons  
13 having less than two months of continuous service or persons whose  
14 compensation from the State is limited to reimbursement of  
15 necessary expenses actually incurred in the discharge of their  
16 official duties , provided, however, that the term "employee" shall  
17 include persons employed on an intermittent basis to whom the  
18 State has agreed to provide coverage under P.L.1961, c.49  
19 (C.52:14-17.25 et seq.) in accordance with a binding collective  
20 negotiations agreement. An employee paid on a 10-month basis,  
21 pursuant to an annual contract, will be deemed to have satisfied the  
22 two-month waiting period if the employee begins employment at  
23 the beginning of the contract year. The term "employee" shall also  
24 not include retired persons who are otherwise eligible for benefits  
25 under this act but who, although they meet the age or disability  
26 eligibility requirement of Medicare, are not covered by [the  
27 complete federal program] Medicare Hospital Insurance, also  
28 known as Medicare Part A, and Medicare Medical Insurance, also  
29 known as Medicare Part B. A determination by the commission  
30 that a person is an eligible employee within the meaning of this act  
31 shall be final and shall be binding on all parties.

32 (d) (1) The term "dependents" means an employee's spouse,  
33 partner in a civil union couple or an employee's domestic partner as  
34 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the  
35 employee's unmarried children under the age of 23 years who live  
36 with the employee in a regular parent-child relationship. "Children"  
37 shall include stepchildren, legally adopted children and children  
38 placed by the Division of Youth and Family Services in the  
39 Department of Children and Families, provided they are reported  
40 for coverage and are wholly dependent upon the employee for  
41 support and maintenance. A spouse, partner in a civil union couple,  
42 domestic partner or child enlisting or inducted into military service  
43 shall not be considered a dependent during the military service.  
44 The term "dependents" shall not include spouses , partners in a civil  
45 union couple or domestic partners of retired persons who are  
46 otherwise eligible for the benefits under this act but who, although  
47 they meet the age or disability eligibility requirement of Medicare,  
48 are not covered by [the complete federal program] Medicare

1 Hospital Insurance, also known as Medicare Part A, and Medicare  
2 Medical Insurance, also known as Medicare Part B.

3 (2) Notwithstanding the provisions of paragraph (1) of this  
4 subsection to the contrary and subject to the provisions of paragraph  
5 (3) of this subsection, for the purposes of an employer other than  
6 the State that is participating in the State Health Benefits Program  
7 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term  
8 "dependents" means an employee's spouse or partner in a civil  
9 union couple and the employee's unmarried children under the age  
10 of 23 years who live with the employee in a regular parent-child  
11 relationship. "Children" shall include stepchildren, legally adopted  
12 children and children placed by the Division of Youth and Family  
13 Services in the Department of Children and Families provided they  
14 are reported for coverage and are wholly dependent upon the  
15 employee for support and maintenance. A spouse, partner in a civil  
16 union couple or child enlisting or inducted into military service  
17 shall not be considered a dependent during the military service.  
18 The term "dependents" shall not include spouses or partners in a  
19 civil union couple of retired persons who are otherwise eligible for  
20 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,  
21 although they meet the age or disability eligibility requirement of  
22 Medicare, are not covered by **【the complete federal program】**  
23 Medicare Hospital Insurance, also known as Medicare Part A, and  
24 Medicare Medical Insurance, also known as Medicare Part B.

25 (3) An employer other than the State that is participating in the  
26 State Health Benefits Program pursuant to section 3 of P.L.1964,  
27 c.125 (C.52:14-17.34) may adopt a resolution providing that the  
28 term "dependents" as defined in paragraph (2) of this subsection  
29 shall include domestic partners as provided in paragraph (1) of this  
30 subsection.

31 (e) The term "carrier" means a voluntary association,  
32 corporation or other organization, including a health maintenance  
33 organization as defined in section 2 of the "Health Maintenance  
34 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully  
35 engaged in providing or paying for or reimbursing the cost of,  
36 personal health services, including hospitalization, medical and  
37 surgical services, under insurance policies or contracts, membership  
38 or subscription contracts, or the like, in consideration of premiums  
39 or other periodic charges payable to the carrier.

40 (f) The term "hospital" means (1) an institution operated  
41 pursuant to law which is primarily engaged in providing on its own  
42 premises, for compensation from its patients, medical diagnostic  
43 and major surgical facilities for the care and treatment of sick and  
44 injured persons on an inpatient basis, and which provides such  
45 facilities under the supervision of a staff of physicians and with 24  
46 hour a day nursing service by registered graduate nurses, or (2) an  
47 institution not meeting all of the requirements of (1) but which is  
48 accredited as a hospital by the Joint Commission on Accreditation

1 of Hospitals. In no event shall the term "hospital" include a  
2 convalescent nursing home or any institution or part thereof which  
3 is used principally as a convalescent facility, residential center for  
4 the treatment and education of children with mental disorders, rest  
5 facility, nursing facility or facility for the aged or for the care of  
6 drug addicts or alcoholics.

7 (g) The term "State managed care plan" means a health care  
8 plan under which comprehensive health care services and supplies  
9 are provided to eligible employees, retirees, and dependents: (1)  
10 through a group of doctors and other providers employed by the  
11 plan; or (2) through an individual practice association, preferred  
12 provider organization, or point of service plan under which services  
13 and supplies are furnished to plan participants through a network of  
14 doctors and other providers under contracts or agreements with the  
15 plan on a prepayment or reimbursement basis and which may  
16 provide for payment or reimbursement for services and supplies  
17 obtained outside the network. The plan may be provided on an  
18 insured basis through contracts with carriers or on a self-insured  
19 basis, and may be operated and administered by the State or by  
20 carriers under contracts with the State.

21 (h) The term "Medicare" means the program established by the  
22 "Health Insurance for the Aged Act," Title XVIII of the "Social  
23 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
24 or its successor plan or plans.

25 (i) The term "traditional plan" means a health care plan which  
26 provides basic benefits, extended basic benefits and major medical  
27 expense benefits as set forth in section 5 of P.L.1961, c.49  
28 (C.52:14-17.29) by indemnifying eligible employees, retirees, and  
29 dependents for expenses for covered health care services and  
30 supplies through payments to providers or reimbursements to  
31 participants.

32 (j) The term "successor plan" means a State managed care plan  
33 that shall replace the traditional plan and that shall provide benefits  
34 as set forth in subsection (B) of section 5 of P.L.1961, c.49  
35 (C.52:14-17.29) with provisions regarding reimbursements and  
36 payments as set forth in paragraph (1) of subsection (C) of section 5  
37 of P.L.1961, c.49 (C.52:14-17.29).

38 (cf: P.L.2006, c.47, s.190)

39

40 20. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to  
41 read as follows:

42 3. There is hereby created a State Health Benefits Commission,  
43 consisting of five members: the State Treasurer; the Commissioner  
44 of Banking and Insurance; the Commissioner of Personnel; a State  
45 employees' representative chosen by the Public Employees'  
46 Committee of the AFL-CIO; and , through June 30, 2008, when  
47 employers of employees, as defined in section 32 of  
48 P.L. , c. (C. )(pending before the Legislature as this bill),

1 will no longer be eligible to participate in the State Health Benefits  
2 Program authorized by P.L.1961, c.49, a representative chosen by  
3 the New Jersey Education Association, which represents the largest  
4 number of employees of employers other than the State  
5 participating in the State Health Benefits Program. Beginning July  
6 1, 2008, the fifth member of the commission shall be a local  
7 employees' representative chosen by the Public Employees'  
8 Committee of the AFL-CIO.

9 The treasurer shall be chairman of the commission and the health  
10 benefits program authorized by P.L.1961, c.49 shall be administered  
11 in the Treasury Department. The Director of the Division of  
12 Pensions and Benefits shall be the secretary of the commission.  
13 The commission shall establish a health benefits program for the  
14 employees of the State, the cost of which shall be paid as specified  
15 in section 6 of P.L.1961, c.49. The commission shall establish rules  
16 and regulations as may be deemed reasonable and necessary for the  
17 administration of P.L.1961, c.49.

18 The Attorney General shall be the legal advisor of the  
19 commission.

20 The members of the commission shall serve without  
21 compensation but shall be reimbursed for any necessary  
22 expenditures. The public employee members shall not suffer loss of  
23 salary or wages during service on the commission.

24 The commission shall publish annually a report showing the  
25 fiscal transactions of the program for the preceding year and stating  
26 other facts pertaining to the plan. The commission shall submit the  
27 report to the Governor and furnish a copy to every employer for  
28 use of the participants and the public.

29 (cf: P.L.2003, c.71, s.1)

30

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

33 4. a. The commission shall negotiate with and arrange for the  
34 purchase, on such terms as it deems to be in the best interests of the  
35 State and its employees, from carriers licensed to operate in the  
36 State or in other jurisdictions, as appropriate, contracts providing  
37 hospital, surgical, obstetrical, **【medical and major medical expense】**  
38 and other covered health care services and benefits covering  
39 employees of the State and their dependents, and shall execute all  
40 documents pertaining thereto for and on behalf and in the name of  
41 the State.

42 **【The】** b. Except for contracts entered into after June 30, 2007,  
43 the commission shall not enter into a contract under this act unless  
44 the benefits provided thereunder equal or exceed the minimum  
45 standards specified in section 5 of P.L.1961, c.49 (C.52:14-17.29)  
46 for the particular coverage which such contract provides, and unless  
47 coverage is available to all eligible employees and their dependents  
48 on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-

1 17.31), except that a State employee enrolled in the program on or  
2 after July 1, 2003 and all law enforcement officers employed by the  
3 State for whom there is a majority representative for collective  
4 negotiation purposes may not be eligible for coverage under the  
5 traditional plan as defined in section 2 of P.L.1961, c.49 (C.52:14-  
6 17.26) pursuant to a binding collective negotiations agreement or  
7 pursuant to the application by the commission, in its sole discretion,  
8 of the terms of any collective negotiations agreement binding on the  
9 State to State employees for whom there is no majority  
10 representative for collective negotiations purposes.

11 c. The commission shall not enter into a contract under  
12 P.L.1961, c.49 (C.52:14-17.25 et seq.) after June 30, 2007, unless  
13 the contract includes the successor plan and a State managed care  
14 plan that shall be substantially equivalent to the NJ PLUS plan in  
15 effect on June 30, 2007, with adjustments to that plan pursuant to a  
16 binding collective negotiations agreement or pursuant to action by  
17 the commission, in its sole discretion, to apply such adjustments to  
18 State employees for whom there is no majority representative for  
19 collective negotiations purposes, and unless coverage is available to  
20 all eligible employees and their dependents on the basis specified  
21 by section 7 of P.L.1961, c.49 (C.52:14-17.31), except as provided  
22 in subsection d. of this section.

23 d. Eligibility for coverage under the successor plan may be  
24 limited pursuant to a binding collective negotiations agreement or  
25 pursuant to the application by the commission, in its sole discretion,  
26 of the terms of any collective negotiations agreement binding on the  
27 State to State employees for whom there is no majority  
28 representative for collective negotiations purposes. Coverage under  
29 the successor plan and under the State managed care plan required  
30 to be included in a contract entered into pursuant to subsection c. of  
31 this section shall be made available in retirement to all State  
32 employees who accrued 25 years of nonconcurrent service credit in  
33 one or more State or locally-administered retirement systems before  
34 July 1, 2007. Coverage under the State managed care plan required  
35 to be included in a contract entered into pursuant to subsection c. of  
36 this section shall be made available in retirement to all State  
37 employees who accrue 25 years of nonconcurrent service credit in  
38 one or more State or locally-administered retirement systems on or  
39 after July 1, 2007.

40 e. Actions taken by the commission before the effective date of  
41 P.L. \_\_\_\_\_, c. \_\_\_\_\_ (pending before the Legislature as this bill) in  
42 anticipation of entering into any contract pursuant to subsection c.  
43 of this section are hereby deemed to have been within the authority  
44 of the commission pursuant to P.L.1961, c.49 (C.52:14-17.25 et  
45 seq.).

46 (cf: P.L.2005, c.341, s.1)

1       22. Section 6 of P.L.1996, c.8 (C.52:14-17.28b) is amended to  
2 read as follows:

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

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

37       (2) Notwithstanding the provisions of any other law to the  
38 contrary, and except as otherwise provided by section 8 of  
39 P.L.1961, c.49 (C.52:14-17.32) as amended by P.L.2005, c.341, and  
40 by subsection c. of this section, for each State employee who  
41 accrues 25 years of nonconcurrent service credit in one or more  
42 State or locally-administered retirement systems on or after July 1,  
43 1997, excepting the employee who elects deferred retirement, the  
44 State, upon the employee's retirement, shall pay the premium or  
45 periodic charges for the health benefits provided to a retired State  
46 employee and dependents covered under the State Health Benefits  
47 Program, but not including survivors, and shall reimburse the  
48 retired employee for premium charges under Part B of Medicare



1 covering the retired employee and the employee's spouse: (a) in  
2 accordance with the provisions, if any, concerning health benefits  
3 coverage in retirement which are in the collective negotiations  
4 agreement applicable to the employee at the time of the employee's  
5 accrual of 25 years of nonconcurrent service credit in one or more  
6 State or locally-administered retirement systems, or (b) if the  
7 employee has no majority representative for collective negotiations  
8 purposes, in a manner consistent with the terms, if any, concerning  
9 health benefits coverage in retirement which are in any collective  
10 negotiations agreement deemed applicable by the State Health  
11 Benefits Commission to that employee at the time of the employee's  
12 accrual of 25 years of nonconcurrent service credit in one or more  
13 State or locally-administered retirement systems. The terms for the  
14 payment of premiums or periodic charges established pursuant to  
15 this paragraph for the traditional plan shall apply to the successor  
16 plan, and the terms for the payment of premiums or periodic  
17 charges established pursuant to this paragraph for the NJ PLUS plan  
18 shall apply to the State managed care plan required to be included  
19 in a contract entered into pursuant to subsection c. of section 4 of  
20 P.L.1961, c.49 (C.52:14-17.28).

21 c. (1) Effective July 1, 2007, but, with respect to employees to  
22 whom this subsection applies who are paid through the State  
23 centralized payroll, effective with the first pay period beginning  
24 after July 1, 2007, the cost of benefits provided pursuant to  
25 P.L.1961, c.49 (C.52:14-17.25 et seq.) shall be shared by employees  
26 through the withholding of a contribution in an amount as  
27 determined in accordance with paragraph (2) of this subsection.

28 (2) The amount of the contribution required pursuant to  
29 paragraph (1) of this subsection as to State employees and  
30 employees of an independent State authority, board, commission,  
31 corporation, agency, or organization for whom there is a majority  
32 representative for collective negotiations purposes shall be  
33 determined by means of a binding collective negotiations  
34 agreement. The amount of the contribution required pursuant to  
35 paragraph (1) of this subsection as to State employees or employees  
36 of an independent State authority, board, commission, corporation,  
37 agency, or organization for whom there is no majority  
38 representative for collective negotiations purposes shall be 1.5  
39 percent of base salary.

40 (3) The cost of benefits provided pursuant to P.L.1961, c.49  
41 (C.52:14-17.25 et seq.) shall be shared by retirees through the  
42 withholding of a contribution in an amount as determined in  
43 accordance with paragraph (4) of this subsection.

44 (4) The amount of the contribution required pursuant to  
45 paragraph (3) of this subsection as to State employees and  
46 employees of an independent State authority, board, commission,  
47 corporation, agency, or organization for whom there is a majority  
48 representative for collective negotiations purposes who accrue 25

1 years of nonconcurrent service credit in one or more State or  
2 locally-administered retirement systems on or after July 1, 2007,  
3 and who retire on or after July, 1, 2007, excepting employees who  
4 elect deferred retirement, but including those who retire on a  
5 disability pension after July 1, 2007, shall be determined by means  
6 of a binding collective negotiations agreement applicable at the  
7 time of the employee's accrual of 25 years of nonconcurrent service  
8 credit in one or more State or locally-administered retirement  
9 systems. The amount of the contribution required pursuant to  
10 paragraph (3) of this subsection as to State employees or employees  
11 of an independent State authority, board, commission, corporation,  
12 agency, or organization for whom there is no majority  
13 representative for collective negotiations purposes who accrue 25  
14 years of nonconcurrent service credit in one or more State or  
15 locally-administered retirement systems on or after July 1, 2007,  
16 and who retire on or after July 1, 2007, excepting employees who  
17 elect deferred retirement, but including those who retire on a  
18 disability pension after July 1, 2007, shall be determined in a  
19 manner consistent with the terms, if any, concerning health benefits  
20 coverage in retirement which are in any collective negotiations  
21 agreement deemed applicable by the commission to that employee  
22 at the time of the employee's accrual of 25 years of nonconcurrent  
23 service credit in one or more State or locally-administered  
24 retirement systems, except that for employees who accrue 25 years  
25 of nonconcurrent service credit in one or more State or locally-  
26 administered retirement systems in the period beginning July 1,  
27 2007, and ending June 30, 2011, the contribution shall be 1.5  
28 percent of the gross maximum monthly retirement allowance,  
29 including any future cost-of-living adjustments, or, with respect to  
30 retirees who are members of the alternate benefit program, an  
31 amount determined pursuant to a formula developed by the  
32 commission that shall be designed to result in a contribution that is  
33 comparable to the contribution that applies to retirees who are not  
34 members of the alternate benefit program.

35 (5) Any employee or retiree from whom withholding of a  
36 contribution is required pursuant to this subsection shall not be  
37 required to pay any percentage of the premiums or periodic charges  
38 for health care benefits provided under P.L.1961, c.49 (C.52:14-  
39 17.25 et seq.), other than dental benefits.

40 (6) The contribution required pursuant to this subsection may be  
41 terminated only upon withdrawal from all health care benefits  
42 coverage as an employee or retiree, other than coverage for dental  
43 benefits, and the submission to the commission of written  
44 certification by the employee that the employee is covered by other  
45 health care benefits and that those benefits are in force. The  
46 commission shall not apply the written certification requirement to  
47 retirees or to employees to whom Article VI, Section VI, paragraph

1 6 of the New Jersey Constitution applies.

2 (cf: P.L.2005, c.341, s.2)

3

4 23. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to  
5 read as follows:

6 5. (A) The contract or contracts purchased by the commission  
7 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
8 17.28) shall provide separate coverages or policies as follows:

9 (1) Basic benefits which shall include:

10 (a) Hospital benefits, including outpatient;

11 (b) Surgical benefits;

12 (c) Inpatient medical benefits;

13 (d) Obstetrical benefits; and

14 (e) Services rendered by an extended care facility or by a home  
15 health agency and for specified medical care visits by a physician  
16 during an eligible period of such services, without regard to  
17 whether the patient has been hospitalized, to the extent and subject  
18 to the conditions and limitations agreed to by the commission and  
19 the carrier or carriers.

20 Basic benefits shall be substantially equivalent to those available  
21 on a group remittance basis to employees of the State and their  
22 dependents under the subscription contracts of the New Jersey  
23 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall  
24 include benefits for:

25 (i) Additional days of inpatient medical service;

26 (ii) Surgery elsewhere than in a hospital;

27 (iii) X-ray, radioactive isotope therapy and pathology services;

28 (iv) Physical therapy services;

29 (v) Radium or radon therapy services;

30 and the extended basic benefits shall be subject to the same  
31 conditions and limitations, applicable to such benefits, as are set  
32 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,  
33 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS  
34 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue  
35 Shield" Plans, respectively, and as the same may be amended or  
36 superseded, subject to filing by the Commissioner of Banking and  
37 Insurance; and

38 (2) Major medical expense benefits which shall provide benefit  
39 payments for reasonable and necessary eligible medical expenses  
40 for hospitalization, surgery, medical treatment and other related  
41 services and supplies to the extent they are not covered by basic  
42 benefits. The commission may, by regulation, determine what types  
43 of services and supplies shall be included as "eligible medical  
44 services" under the major medical expense benefits coverage as  
45 well as those which shall be excluded from or limited under such  
46 coverage. Benefit payments for major medical expense benefits  
47 shall be equal to a percentage of the reasonable charges for eligible  
48 medical services incurred by a covered employee or an employee's

1 covered dependent, during a calendar year as exceed a deductible  
2 for such calendar year of \$100.00 subject to the maximums  
3 hereinafter provided and to the other terms and conditions  
4 authorized by this act. The percentage shall be 80% of the first  
5 \$2,000.00 of charges for eligible medical services incurred  
6 subsequent to satisfaction of the deductible and 100% thereafter.  
7 There shall be a separate deductible for each calendar year for (a)  
8 each enrolled employee and (b) all enrolled dependents of such  
9 employee. Not more than \$1,000,000.00 shall be paid for major  
10 medical expense benefits with respect to any one person for the  
11 entire period of such person's coverage under the plan, whether  
12 continuous or interrupted except that this maximum may be  
13 reapplied to a covered person in amounts not to exceed \$2,000.00 a  
14 year. Maximums of \$10,000.00 per calendar year and \$20,000.00  
15 for the entire period of the person's coverage under the plan shall  
16 apply to eligible expenses incurred because of mental illness or  
17 functional nervous disorders, and such may be reapplied to a  
18 covered person, except as provided in P.L.1999, c.441 (C.52:14-  
19 17.29d et al.). The same provisions shall apply for retired  
20 employees and their dependents. Under the conditions agreed upon  
21 by the commission and the carriers as set forth in the contract, the  
22 deductible for a calendar year may be satisfied in whole or in part  
23 by eligible charges incurred during the last three months of the prior  
24 calendar year.

25 Any service determined by regulation of the commission to be an  
26 "eligible medical service" under the major medical expense benefits  
27 coverage which is performed by a duly licensed practicing  
28 psychologist within the lawful scope of his practice shall be  
29 recognized for reimbursement under the same conditions as would  
30 apply were such service performed by a physician.

31 (B) The contract or contracts purchased by the commission  
32 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
33 17.28) shall include coverage for the services and benefits set forth  
34 in this subsection, provided that such services and benefits shall  
35 include only those that are eligible medical services and not those  
36 deemed experimental, investigative or otherwise not eligible  
37 medical services. The determination of whether services or benefits  
38 are eligible medical services shall be made by the commission  
39 consistent with the best interests of the State and participating  
40 employers, employees, and dependents. The following list of  
41 services is not intended to be exclusive or to require that any limits  
42 or exclusions be exceeded.

43 Covered services shall include:

44 (1) Physician services, including:

45 (a) Inpatient services, including:

46 (i) medical care including consultations;

47 (ii) surgical services and services related thereto; and

- 1           (iii) obstetrical services including normal delivery,  
2           cesarean section, and abortion.  
3           **(b) Outpatient/out-of-hospital services, including:**  
4           (i) office visits for covered services and care;  
5           (ii) allergy testing and related diagnostic/therapy  
6           services;  
7           (iii) dialysis center care;  
8           (iv) maternity care;  
9           (v) well child care;  
10           (vi) child immunizations/lead screening;  
11           (vii) routine adult physicals including pap,  
12           mammography, and prostate examinations; and  
13           (viii) annual routine obstetrical/gynecological exam.  
14           **(2) Hospital services, both inpatient and outpatient, including:**  
15           (a) room and board;  
16           (b) intensive care and other required levels of care;  
17           (c) semi-private room;  
18           (d) therapy and diagnostic services;  
19           (e) surgical services or facilities and treatment related  
20           thereto;  
21           (f) nursing care;  
22           (g) necessary supplies, medicines, and equipment for care;  
23           and  
24           (h) maternity care and related services.  
25           **(3) Other facility and services, including:**  
26           (a) approved treatment centers for medical  
27           emergency/accidental injury;  
28           (b) approved surgical center;  
29           (c) hospice;  
30           (d) chemotherapy;  
31           (e) diagnostic x-ray and lab tests;  
32           (f) ambulance;  
33           (g) durable medical equipment;  
34           (h) prosthetic devices;  
35           (i) foot orthotics;  
36           (j) diabetic supplies and education; and  
37           (k) oxygen and oxygen administration.  
38           **(4) All services for which coverage is required pursuant to**  
39           P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and  
40           supplemented. Benefits under the contract or contracts purchased  
41           as authorized by the State Health Benefits Program shall include  
42           those for mental health services subject to limits and exclusions  
43           consistent with the provisions of the New Jersey State Health  
44           Benefits Program Act.  
45           **(C) The contract or contracts purchased by the commission**  
46           pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
47           17.28) shall include the following provisions regarding  
48           reimbursements and payments:

1       (1) In the successor plan, the co-payment for doctor's office  
2 visits shall be \$10 per visit with a maximum out-of-pocket of \$400  
3 per individual and \$1,000 per family for in-network services for  
4 each calendar year. The out-of-network deductible shall be \$100  
5 per individual and \$250 per family for each calendar year, and the  
6 participant shall receive reimbursement for out-of-network charges  
7 at the rate of 80% of reasonable and customary charges, provided  
8 that the out-of-pocket maximum shall not exceed \$2,000 per  
9 individual and \$5,000 per family for each calendar year.

10       (2) In the State managed care plan that is required to be included  
11 in a contract entered into pursuant to subsection c. of section 4 of  
12 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office  
13 visits shall be \$15 per visit. The participant shall receive  
14 reimbursement for out-of-network charges at the rate of 70% of  
15 reasonable and customary charges. The in-network and out-of-  
16 network limits, exclusions, maximums, and deductibles shall be  
17 substantially equivalent to those in the NJ PLUS plan in effect on  
18 June 30, 2007, with adjustments to that plan pursuant to a binding  
19 collective negotiations agreement or pursuant to action by the  
20 commission, in its sole discretion, to apply such adjustments to  
21 State employees for whom there is no majority representative for  
22 collective negotiations purposes.

23       (3) "Reasonable and customary charges" means charges based  
24 upon the 90th percentile of the usual, customary, and reasonable  
25 (UCR) fee schedule determined by the Health Insurance  
26 Association of America or a similar nationally recognized database  
27 of prevailing health care charges.

28       **[(B)] (D)** Benefits under the contract or contracts purchased as  
29 authorized by this act may be subject to such limitations,  
30 exclusions, or waiting periods as the commission finds to be  
31 necessary or desirable to avoid inequity, unnecessary utilization,  
32 duplication of services or benefits otherwise available, including  
33 coverage afforded under the laws of the United States, such as the  
34 federal Medicare program, or for other reasons.

35       Benefits under the contract or contracts purchased as authorized  
36 by this act shall include those for the treatment of alcoholism where  
37 such treatment is prescribed by a physician and shall also include  
38 treatment while confined in or as an outpatient of a licensed  
39 hospital or residential treatment program which meets minimum  
40 standards of care equivalent to those prescribed by the Joint  
41 Commission on Hospital Accreditation. No benefits shall be  
42 provided beyond those stipulated in the contracts held by the State  
43 Health Benefits Commission.

44       **[(C)] (E)** The rates charged for any contract purchased under  
45 the authority of this act shall reasonably and equitably reflect the  
46 cost of the benefits provided based on principles which in the  
47 judgment of the commission are actuarially sound. The rates  
48 charged shall be determined by the carrier on accepted group rating

1 principles with due regard to the experience, both past and  
2 contemplated, under the contract. The commission shall have the  
3 right to particularize subgroups for experience purposes and rates.  
4 No increase in rates shall be retroactive.

5 ~~[(D)]~~ (E) The initial term of any contract purchased by the  
6 commission under the authority of this act shall be for such period  
7 to which the commission and the carrier may agree, but permission  
8 may be made for automatic renewal in the absence of notice of  
9 termination by the commission. Subsequent terms for which any  
10 contract may be renewed as herein provided shall each be limited to  
11 a period not to exceed one year.

12 ~~[(E) The]~~ (G) A contract purchased by the commission  
13 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
14 17.28) shall contain a provision that if basic benefits or major  
15 medical expense benefits of an employee or of an eligible  
16 dependent under the contract, after having been in effect for at least  
17 one month in the case of basic benefits or at least three months in  
18 the case of major medical expense benefits, is terminated, other  
19 than by voluntary cancellation of enrollment, there shall be a 31-  
20 day period following the effective date of termination during which  
21 such employee or dependent may exercise the option to convert,  
22 without evidence of good health, to converted coverage issued by  
23 the carriers on a direct payment basis. Such converted coverage  
24 shall include benefits of the type classified as "basic benefits" or  
25 "major medical expense benefits" in subsection (A) hereof and shall  
26 be equivalent to the benefits which had been provided when the  
27 person was covered as an employee. The provision shall further  
28 stipulate that the employee or dependent exercising the option to  
29 convert shall pay the full periodic charges for the converted  
30 coverage which shall be subject to such terms and conditions as are  
31 normally prescribed by the carrier for this type of coverage.

32 ~~[(F)]~~ (H) The commission may purchase a contract or contracts  
33 to provide drug prescription and other health care benefits or  
34 authorize the purchase of a contract or contracts to provide drug  
35 prescription and other health care benefits as may be required to  
36 implement a duly executed collective negotiations agreement or as  
37 may be required to implement a determination by a public employer  
38 to provide such benefit or benefits to employees not included in  
39 collective negotiations units.

40 (I) The commission shall take action as necessary, in  
41 cooperation with the School Employees' Health Benefits  
42 Commission established pursuant to section 33 of  
43 P.L. , c. (C. )(pending before the Legislature as this bill), to  
44 effectuate the purposes of the School Employees' Health Benefits  
45 Program Act as provided in sections 31 through 41 of  
46 P.L. , c. (C. )(pending before the Legislature as this bill) and  
47 to enable the School Employees' Health Benefits Commission to

1 begin providing coverage to participants pursuant to the School  
2 Employees' Health Benefits Program Act as of July 1, 2008.

3 (cf: P.L.1999, c.441, s.3)

4

5 24. Section 1 of P.L.2001, c.284 (C.52:14-17.29g) is amended to  
6 read as follows:

7 1. a. The State Health Benefits Commission shall ensure that  
8 every contract purchased by the commission on or after the  
9 effective date of **[this act]** P.L.2001, c.284 (C.52:14-17.29g)  
10 provides that if an enrollee's or member's primary care physician's  
11 contract as a participating physician in a health maintenance  
12 organization or **[NJ PLUS]** State managed care plan will be  
13 terminated, the health maintenance organization or **[NJ PLUS]**  
14 State managed care plan, as appropriate, shall provide the enrollee  
15 or member with 90-days notice of the termination. If 90-days  
16 notice cannot be provided because the termination will occur prior  
17 to the end of the 90-day period, the health maintenance organization  
18 or **[NJ PLUS]** State managed care plan shall notify the enrollee or  
19 member as soon as the health maintenance organization or **[NJ**  
20 **PLUS]** State managed care plan has knowledge of the termination.

21 b. Notwithstanding the provisions of any policy governing  
22 open enrollment to the contrary, an enrollee or member who has  
23 been notified by a health maintenance organization or **[NJ PLUS]**  
24 State managed care plan pursuant to this section may change his  
25 coverage to another health benefits plan under the State Health  
26 Benefits Program upon receiving notice that his primary care  
27 physician will no longer be a participating physician with the health  
28 maintenance organization or **[NJ PLUS]** State managed care plan,  
29 in which the person is currently enrolled.

30 (cf: P.L.2001, c.284, s.1)

31

32 25. Section 7 of P.L.1961, c.49 (C.52:14-17.31) is amended to  
33 read as follows:

34 7. The coverage provided solely for employees shall, subject to  
35 the provisions below, automatically become effective for all eligible  
36 employees from the first day on or after the effective date of the  
37 program on which they satisfy the definition of "employee"  
38 contained in this act. The commission shall establish the rules and  
39 regulations governing the enrollment and effective dates of  
40 coverage of dependents of employees it deems necessary or  
41 desirable. The rules and regulations shall not defer coverage with  
42 respect to any qualified dependent an employee has on the date the  
43 employee's employer becomes a participating employer, provided  
44 the employee was, immediately prior to the date, insured with  
45 respect to the dependent under a group **[major medical]** insurance  
46 plan of the employer which was in effect immediately prior to the  
47 date. Under the rules and regulations established by the



1 commission, each employee shall be given the opportunity to enroll  
2 for coverage for dependents as of the earliest date the employee  
3 becomes eligible for enrollment. **[An]** With respect to the  
4 traditional plan, an employee may elect to enroll dependents for  
5 both basic coverage and major medical expense coverage but may  
6 not enroll for either coverage alone.

7 **[If, on the date coverage for an employee would become**  
8 **effective, the employee is not actively at work full- time at the**  
9 **customary place of employment or other location to which the**  
10 **employment requires the employee to travel, the employee shall not**  
11 **be covered until the employee is so actively at work, except the**  
12 **employee shall be covered, if on the date the employee's employer**  
13 **becomes a participating employer, the employee was, immediately**  
14 **prior to that date, insured under a group major medical insurance**  
15 **plan of the employer which was in effect immediately prior to that**  
16 **date.]**

17 In the event that the group **[major medical]** health plan which  
18 covered an employee or dependents immediately prior to the date  
19 the employee's employer becomes a participating employer  
20 provides, after termination of coverage thereunder, any continuation  
21 of benefits **[for medical expenses for hospitalization, surgery,**  
22 **medical treatment or any related service or supply]**, or would so  
23 provide in the absence of coverage pursuant to this act, no coverage  
24 shall be afforded pursuant to this act for any such expenses (i)  
25 which are covered, or which would be covered in the absence of  
26 coverage pursuant to this act, in whole or in part, by the prior  
27 insurance plan or (ii) which may be used in satisfaction of any  
28 deductible requirement under the prior insurance plan to establish  
29 entitlement to the continuation of benefits.

30 Each employee shall furnish the Division of Pensions and  
31 Benefits, in the prescribed form, the information necessary on  
32 account of the employee's own coverage and necessary to enroll  
33 dependents. Any employee not desiring coverage at the time the  
34 employee first becomes eligible, shall give the division written  
35 notice of that fact in the form prescribed by the division. The  
36 employee may not enroll thereafter except at the times and under  
37 the conditions prescribed by the commission.

38 If an employee of an employer other than the State eligible for  
39 coverage has a spouse who is also an employee of an employer  
40 other than the State eligible for coverage, the spouse may elect  
41 single coverage as an employee and to enroll as a dependent, in  
42 which event no coverage shall be provided for such spouse as an  
43 employee while covered as a dependent. The employee of an  
44 employer other than the State, who has enrolled such spouse, and  
45 who is required to pay the full cost of dependent coverage, may  
46 receive a refund from the State Division of Pensions and Benefits  
47 equivalent in amount to the employer's cost for an employee's

1 coverage. When both husband and wife are covered as employees,  
2 only one may enroll for their children as dependents.

3 A similar refund shall be authorized pursuant to such rules and  
4 regulations as the commission deems necessary or desirable in the  
5 case of an employee of an employer other than the State who is  
6 paying the full cost of dependent coverage for a spouse who is an  
7 employee of the State and eligible for coverage.

8 If a husband and wife are both eligible for coverage under the  
9 program as employees:

10 a. each may elect coverage for himself or herself as an employee  
11 and for their qualified dependents, including the spouse, [under the  
12 traditional plan or the State managed care plan] in any plan offered  
13 other than a health maintenance organization, but only one may  
14 elect coverage for himself or herself and for their qualified  
15 dependents, including the spouse, in a participating health  
16 maintenance organization; and

17 b. each may elect single coverage in any participating health  
18 maintenance organization, provided that he or she is not covered  
19 under the participating health maintenance organization as a  
20 dependent of his or her spouse.

21 Any person employed as a substitute teacher by a school district  
22 and who provides evidence of coverage under another health  
23 benefits program may waive coverage for the current school year on  
24 or after the date on which the person becomes an employee eligible  
25 for coverage.

26 (cf: P.L.1996, c.8, s.5)

27

28 26. Section 1 of P.L.2003, c.142 (C.52:14-17.32n) is amended to  
29 read as follows:

30 1. a. A qualified member of the organized militia, as defined in  
31 N.J.S.38A:1-1, and the member's dependents, as defined in section  
32 2 of P.L.1961, c.49 (C.52:14-17.26), shall be eligible to participate  
33 in the State Health Benefits Program and be covered under the  
34 "State managed care plan", as defined in section 2 of P.L.1961, c.49  
35 (C.52:14-17.26), in accordance with the law and rules governing the  
36 program and plan, except as otherwise provided by this act ,  
37 P.L.2003, c.142 (C.52:14-17.32n). **[Notwithstanding any other law**  
38 **to the contrary, a qualified member of the organized militia and the**  
39 **member's dependants shall be enrolled in NJ Plus.]**

40 A qualified member is a member who is called to State active  
41 duty by an order of the Governor issued pursuant to law, when the  
42 written order directly applicable to that member states that active  
43 duty shall be for a period of 30 days within a 35 consecutive day  
44 period, provided the member (1) is not a compensated, full-time  
45 appointed or elected public officer or employee of the State or any  
46 political subdivision thereof when called to active duty; (2) had  
47 employer-provided health care benefits coverage that was cancelled  
48 due to the member's military service or does not have employer-

1 provided health care benefits coverage; and (3) is not covered for  
2 health care benefits under a program, plan or policy as a dependent  
3 of the member's spouse when called to active duty. For the limited  
4 purpose of this act, a qualified member shall be deemed a State  
5 employee, as defined in section 2 of P.L.1961, c.49 (C.52:14-  
6 17.26).

7 The member may waive coverage provided pursuant to this  
8 section by notifying the Division of Pensions and Benefits in  
9 writing.

10 b. The Department of Military and Veterans' Affairs shall  
11 notify the Division of Pensions and Benefits of the members who  
12 are eligible for health care benefits coverage pursuant to this  
13 section, and shall notify the members themselves of the coverage  
14 provided, by whatever means deemed efficient and expeditious.

15 c. The State Health Benefits Program shall not provide  
16 coverage for health care services and supplies provided to a member  
17 or the member's dependents prior to first day of active duty. The  
18 department, or the member when so requested, shall provide to the  
19 division all information necessary on account of the member's  
20 coverage and to enroll the member's dependents pursuant to  
21 applicable law and regulations governing the program and plan. If  
22 information is not provided to the division in a timely manner,  
23 coverage shall commence only upon receipt by the division of all  
24 information deemed necessary by the division to provide the  
25 coverage. The division shall make such accommodation and  
26 provision for the addition of the member and the member's  
27 dependents to the program and plan as may be necessary under the  
28 circumstances.

29 d. The coverage provided pursuant to this section shall be  
30 extended for health care services and supplies commencing on the  
31 first day of active duty service until the last day of active duty  
32 service, provided the information requirements in subsection c. of  
33 this section are met in a timely manner.

34 e. The State shall be liable for the premium or periodic charges  
35 for the coverage for the qualified member and member's  
36 dependents, including the program's expenses for the administration  
37 of this section, in such amount as determined and fixed by the State  
38 Health Benefits Commission. The commission shall annually  
39 certify to the State the cost for providing health care benefits  
40 coverage to qualified members and their dependents under this  
41 section. The State shall annually remit to the commission the  
42 amount certified at a time specified by the State Treasurer.

43 f. If a member or the member's dependents, or both, have  
44 health care benefits coverage, other than through the member's  
45 spouse, immediately preceding the call to active duty and that  
46 coverage continues, or is eligible to continue, during active duty  
47 status, the coverage provided pursuant to this section shall only be  
48 secondary to that primary coverage and shall not cover expenses

1 which are covered, or which would be covered in the absence of  
2 coverage pursuant to this section, in whole or in part, by that prior  
3 existing coverage. If that coverage is terminated through the action  
4 or inaction of the member, the member's spouse or the member's  
5 employer, other than pursuant to terms and conditions in effect  
6 immediately preceding the call to active duty, the coverage under  
7 this section shall also terminate.

8 This section shall not be deemed to replace, supersede or modify  
9 health care benefits coverage received by the member, the member's  
10 spouse or dependents immediately preceding the call to active duty.

11 g. Health care benefits coverage shall be provided pursuant to  
12 this section only if the provision of such coverage by the State  
13 Health Benefits Program does not violate applicable federal statutes  
14 in a manner that would change the nature, governance or status of  
15 the program.

16 h. The Treasurer, in consultation with the Adjutant General,  
17 shall adopt regulations to effectuate the purposes of this act  
18 pursuant to the "Administrative Procedure Act", P.L.1968, c.410  
19 (C.52:14B-1 et seq.), except that the Treasurer may immediately  
20 adopt regulations the Division of Pensions and Benefits deems  
21 necessary to implement the provisions of this act, upon the filing of  
22 such regulations with the Office of Administrative Law.

23 (cf: P.L.2003, c.142, s.1)

24

25 27. Section 1 of P.L.2003, c.172 (C.52:14-17.33a) is amended to  
26 read as follows:

27 1. a. Notwithstanding any provision of P.L.1961, c. 49 (C.52:14-  
28 17.25 et seq.) to the contrary, a part-time State employee, or a part-  
29 time faculty member, including part-time lecturers and adjunct  
30 faculty members, at a State public institution of higher education in  
31 this State if the public institution of higher education participates in  
32 the program, who is enrolled in a State-administered retirement  
33 system shall be eligible to participate in the State Health Benefits  
34 Program and may purchase health benefits coverage under the  
35 program in the State managed care plan as defined in section 2 of  
36 P.L.1961, c.49 (C.52:14-17.26) for the employee or faculty member  
37 and the dependents of the employee or faculty member. If such an  
38 employee or faculty member elects to enroll in the program, the  
39 employee or faculty member shall pay the full cost of the coverage  
40 selected and the employer shall not be responsible for any costs in  
41 connection with the purchase of the coverage, unless the employer  
42 shall be obligated to pay all or a portion of such costs in accordance  
43 with the provisions of a binding collective negotiations agreement.

44 b. The State Health Benefits Commission may establish rules  
45 and regulations concerning the enrollment and termination of  
46 coverage of employees and faculty members in the State Health  
47 Benefits Program, pursuant to this section, and the procedures for  
48 the remittance to the program of the cost of coverage.

1 The employee or faculty member shall also be required to pay a  
2 proportionate share of administrative expenses of the program in  
3 such amounts and at such times as shall be determined and fixed by  
4 the commission. Amounts payable by a participating employee or  
5 faculty member for administrative expenses shall be collected in the  
6 same manner as premiums or periodic charges are paid and remitted  
7 to the State treasury and shall be used for such purposes.

8 c. The laws and regulations governing the State Health  
9 Benefits Program, except as modified in this section, are applicable  
10 to enrollments in the program under this section and shall be  
11 construed to apply to part-time employees or faculty members and  
12 their dependents in the same manner as to full-time employees or  
13 faculty members and their dependents to the extent possible.

14 d. Participation in the State Health Benefits Program pursuant  
15 to this section shall not qualify the employee or faculty member for  
16 employer or State-paid health care benefits in retirement in the  
17 program. Upon retirement, such employees or faculty members  
18 shall be permitted to enroll in the State managed care plan they  
19 were enrolled in prior to retirement through the retired group at  
20 their own expense.

21 e. The State Health Benefits Commission shall advise eligible  
22 employees, and the State public institutions of higher education  
23 shall advise eligible faculty members, that they may enroll in the  
24 State Health Benefits Program pursuant to this section and shall  
25 further advise eligible employees and faculty members, as may be  
26 appropriate, of any benefits to which they are entitled upon the  
27 termination of their employment. The State Health Benefits  
28 Commission shall determine the manner and form of the advisory  
29 notice to the employees and faculty members.

30 (cf: P.L.2003, c.172, s.1)

31  
32 28. Section 3 of P.L.1964, c.125 (C.52:14-17.34) is amended to  
33 read as follows:

34 3. In order that the New Jersey State Health Benefits Program  
35 Act may be extended to include other public **[and school]**  
36 employees, participation by counties, municipalities, **[school**  
37 **districts,]** public agencies or organizations as defined in section 71  
38 of P.L.1954, c.84 (C.43:15A-71), including the New Jersey  
39 Turnpike Authority, **[the New Jersey Highway Authority,]** the  
40 Interstate Environmental Commission, the Delaware River Basin  
41 Commission, New Jersey Housing and Mortgage Finance Agency,  
42 New Jersey Educational Facilities Authority, **[Hackensack]** New  
43 Jersey Meadowlands [Development] Commission and the  
44 Compensation Rating and Inspection Bureau, hereinafter defined as  
45 employers, is hereby authorized, provided, however, that no such  
46 employer shall enroll for coverage under the State Health Benefits  
47 Program pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.)

1 employees as defined in section 32 of  
2 P.L. , c. (C. )(pending before the Legislature as this bill).

3 (cf: P.L.2000, c.6, s.18)

4

5 29. Section 4 of P.L.1964, c.125 (C.52:14-17.35) is amended to  
6 read as follows:

7 4. As used in this act and in the act to which this act is a  
8 supplement:

9 (a) The term "employer" means a county, municipality, [school  
10 district,] public agency or organization as defined in section 71 of  
11 P.L.1954, c.84 (C.43:15A-71), including the New Jersey Turnpike  
12 Authority, [the New Jersey Highway Authority,] the Interstate  
13 Environmental Commission, the Delaware River Basin  
14 Commission, New Jersey Housing and Mortgage Finance Agency,  
15 New Jersey Educational Facilities Authority, [Hackensack] New  
16 Jersey Meadowlands [Development] Commission and the  
17 Compensation Rating and Inspection Bureau. The term "employer"  
18 shall include a subsidiary corporation or other corporation  
19 established by the Delaware River Port Authority pursuant to  
20 subdivision (m) of Article I of the compact creating the authority  
21 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-  
22 146), except that only persons who are employees of the South  
23 Jersey Port Corporation on the effective date of P.L.1997, c.150  
24 (C.34:1B-144 et al.) and are re-employed by the subsidiary or other  
25 corporation within 365 days of the effective date are eligible to  
26 participate in the program.

27 (b) The term "State Treasury" means the State agency  
28 responsible for the administration of the New Jersey State Health  
29 Benefits Program Act which is to be located in the Division of  
30 Pensions and Benefits in the Department of the Treasury.

31 (cf: P.L.2000, c.6, s.19)

32

33 30. Section 5 of P.L.1993, c.8 (C.52:14-17.38b) is amended to  
34 read as follows:

35 5. Notwithstanding the provisions of any other law, rule, or  
36 regulation to the contrary, any local board of education may elect to  
37 participate in the State Health Benefits Program upon the  
38 termination of any contract in effect on the effective date of this  
39 amendatory and supplementary act, P.L.1993, c.8 (C.52:14-17.38b  
40 et al.), between the board of education and an insurance company  
41 writing insurance pursuant to Title 17B of the New Jersey Statutes,  
42 hospital service corporation, medical service corporation, health  
43 service corporation, or health maintenance organization to provide  
44 hospital and medical expense benefits. Such election shall be in  
45 accordance with the laws and regulations otherwise applicable to  
46 participation by employers other than the State in the program. If  
47 the board does not elect to participate in the State Health Benefits

1 Program at that time, its eligibility to elect such participation  
2 thereafter shall be subject to the time period specified by the State  
3 Health Benefits Commission for participating again in the State  
4 Health Benefits Program after a participant's withdrawal from the  
5 program. No such election shall be permitted after June 30, 2008.  
6 (cf: P.L.1993, c.8, s.5)  
7

8 31. (New section) Sections 31 through 41 of  
9 P.L. , c. (C. )(pending before the Legislature as this bill)  
10 shall be known and may be cited as the "School Employees' Health  
11 Benefits Program Act."  
12

13 32. (New section) As used in the School Employees' Health  
14 Benefits Program Act, sections 31 through 41 of  
15 P.L. , c. (C. )(pending before the Legislature as this bill):

16 a. The term "State" means the State of New Jersey.

17 b. The term "commission" means the School Employees' Health  
18 Benefits Commission, created by section 33 of  
19 P.L. , c. (C. )(pending before the Legislature as this  
20 bill).

21 c. The term "employer" means local school district, regional  
22 school district, county vocational school district, county special  
23 services school district, jointure commission, educational services  
24 commission, State-operated school district, charter school, county  
25 college, any officer, board, or commission under the authority of  
26 the Commissioner of Education or of the State Board of Education,  
27 and any other public entity which is established pursuant to  
28 authority provided by Title 18A of the New Jersey Statutes, but  
29 excluding the State public institutions of higher education and  
30 excluding those public entities where the employer is the State of  
31 New Jersey.

32 d. The term "employee" means a person employed in any full  
33 time capacity by an employer, and shall include persons defined as  
34 a school employee by the regulations of the State Health Benefits  
35 Commission in effect on the effective date of the School  
36 Employees' Health Benefits Program Act. "Full-time" shall have  
37 the same meaning as in the regulation of the State Health Benefits  
38 Commission regarding local coverage in effect on the effective date  
39 of the School Employees' Health Benefits Program Act. The term  
40 "employee" shall not include persons employed on a short-term,  
41 seasonal, intermittent, or emergency basis, persons compensated on  
42 a fee basis, persons having less than two months of continuous  
43 service or persons whose compensation is limited to reimbursement  
44 of necessary expenses actually incurred in the discharge of their  
45 official duties. An employee paid on a 10-month basis, pursuant to  
46 an annual contract, shall be deemed to have satisfied the two-month  
47 waiting period if the employee begins employment at the beginning  
48 of the contract year. The term "employee" shall also not include

1 retired persons who are otherwise eligible for benefits under the  
2 School Employees' Health Benefits Program but who, although  
3 they meet the age or disability eligibility requirement of Medicare,  
4 are not covered by Medicare Hospital Insurance, also known as  
5 Medicare Part A, and Medicare Medical Insurance, also known as  
6 Medicare Part B. A determination by the commission that a person  
7 is an eligible employee for the purposes of the School Employees'  
8 Health Benefits Program shall be final and binding on all parties.

9 e. The term "dependents" means an employee's spouse,  
10 domestic partner, or partner in a civil union couple, and unmarried  
11 children under the age of 23 years who live in a regular parent/child  
12 relationship. "Children" shall include stepchildren, legally adopted  
13 children and children placed by the Division of Youth and Family  
14 Services in the Department of Children and Families, provided they  
15 are reported for coverage and are wholly dependent upon the  
16 employee for support and maintenance. A spouse, domestic  
17 partner, partner in a civil union couple, or child enlisting or  
18 inducted into military service shall not be considered a dependent  
19 during the military service. The term "dependents" shall not  
20 include spouses, domestic partners, or partners in a civil union  
21 couple, of retired persons who are otherwise eligible for the benefits  
22 under the School Employees' Health Benefits Program but who,  
23 although they meet the age or disability eligibility requirement of  
24 Medicare, are not covered by Medicare Hospital Insurance, also  
25 known as Medicare Part A, and Medicare Medical Insurance, also  
26 known as Medicare Part B.

27 f. The term "carrier" means a voluntary association, corporation  
28 or other organization, including but not limited to a health  
29 maintenance organization as defined in section 2 of the "Health  
30 Maintenance Organizations Act," P.L.1973, c.337 (C.26:2J-2),  
31 which is lawfully engaged in providing or paying for or reimbursing  
32 the cost of, personal health services, including hospitalization,  
33 medical and surgical services under insurance policies or contracts,  
34 membership or subscription contracts, or the like, in consideration  
35 of premiums or other periodic charges payable to the carrier.

36 g. The term "hospital" means:

37 (1) an institution operated pursuant to law which is primarily  
38 engaged in providing on its own premises, for compensation from  
39 its patients, medical diagnostic and major surgical facilities for the  
40 care and treatment of sick and injured persons on an inpatient basis,  
41 and which provides such facilities under the supervision of a staff  
42 of physicians and with 24 hour a day nursing service by registered  
43 graduate nurses, or

44 (2) an institution not meeting all of the requirements of  
45 paragraph (1) but which is accredited as a hospital by the Joint  
46 Commission on Accreditation of Hospitals. In no event shall the  
47 term "hospital" include a convalescent nursing home or any  
48 institution or part thereof which is used principally as a



1 convalescent facility, residential center for the treatment and  
2 education of children with mental disorders, rest facility, nursing  
3 facility or facility for the aged or for the care of drug addicts or  
4 alcoholics.

5 h. The term "Medicare" means the program established by the  
6 "Health Insurance for the Aged Act," Title XVIII of the "Social  
7 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
8 or its successor plan or plans.

9 i. The term "managed care plan" means a health care plan under  
10 which comprehensive health care services and supplies are provided  
11 to eligible employees, retirees, and dependents: (1) through a group  
12 of doctors and other providers employed by the plan; or (2) through  
13 an individual practice association, preferred provider organization,  
14 or point of service plan under which services and supplies are  
15 furnished to plan participants through a network of doctors and  
16 other providers under contracts or agreements with the plan on a  
17 prepayment or reimbursement basis and which may provide for  
18 payment or reimbursement for services and supplies obtained  
19 outside the network. The plan may be provided on an insured basis  
20 through contracts with carriers or on a self-insured basis, and may  
21 be operated and administered by the State or by carriers under  
22 contracts with the State.

23 j. The term "successor plan" means a managed care plan that  
24 shall replace the "traditional plan," as defined in section 2 of  
25 P.L.1961, c.49 (C.52:14-17.26), and that shall provide benefits as  
26 set forth in section 36 of P.L. , c. (C. )(pending before the  
27 Legislature as this bill), and provide out-of-network benefits to  
28 participants with a payment by the plan of 80% of reasonable and  
29 customary charges as set forth in section 37 of  
30 P.L. , c. (C. )(pending before the Legislature as this bill) and  
31 as may be adjusted in accordance with section 40 of  
32 P.L. , c. (C. )(pending before the Legislature as this bill).

33

34 33. (New section) a. There is hereby created a School  
35 Employees' Health Benefits Commission, consisting of nine  
36 members:

37 (1) the State Treasurer and the Commissioner of the Department  
38 of Banking and Insurance serving ex officio;

39 (2) a member appointed by the Governor who is a New Jersey  
40 resident and is qualified by experience, education, or training in the  
41 review, administration, or design of health insurance plans for self-  
42 insured employers;

43 (3) a member appointed by the Governor from among three  
44 persons nominated by the New Jersey School Boards' Association,  
45 which member shall be qualified by experience, education, or  
46 training in the review, administration, or design of health insurance  
47 plans for self-insured employers;

1 (4) three members appointed by the Governor from among five  
2 persons nominated by the New Jersey Education Association, of  
3 whom two shall be qualified by experience, education, or training in  
4 the review, administration, or design of health insurance plans for  
5 self-insured employers;

6 (5) a member appointed by the Governor from among three  
7 persons nominated by the education section of the New Jersey State  
8 AFL-CIO, which member shall be qualified by experience,  
9 education, or training in the review, administration, or design of  
10 health insurance plans for self-insured employers; and

11 (6) a member appointed pursuant to subsection b. of this section  
12 who shall be the chairperson.

13 b. The Governor shall appoint the chairperson from among three  
14 persons nominated jointly by at least six of the eight members  
15 appointed pursuant to subsection a. of this section.

16 c. If the Governor declines to make an appointment from among  
17 the persons nominated for membership, the Governor shall request  
18 that a new list of nominees be provided in compliance with  
19 subsection a. of this section. If the Governor declines to make an  
20 appointment from the new list, the process set forth in this  
21 subsection shall be repeated until the Governor makes an  
22 appointment from a list of nominees. Except with respect to the  
23 appointment of the chairperson, if a new list of nominees is not  
24 submitted within 45 days of the Governor's request, the Governor  
25 shall make the appointment without the need to select from any list  
26 of nominees.

27 d. The initial terms of the members of the commission shall be  
28 as follows:

29 (1) the member appointed pursuant to paragraph (3) of  
30 subsection a. of this section and the two members appointed  
31 pursuant to paragraph (4) of subsection a. of this section who are  
32 required to be qualified by experience, education, or training shall  
33 serve for a term of three years;

34 (2) the member appointed pursuant to paragraph (2) of  
35 subsection a. of this section, the member appointed pursuant to  
36 paragraph (4) of subsection a. of this section who is not required to  
37 be qualified by experience, education, or training, and the member  
38 appointed pursuant to paragraph (5) of subsection a. of this section  
39 shall serve for a term of two years; and

40 (3) the chairperson shall serve for a term of six years.

41 All subsequent terms shall be for three years, except that the  
42 term of the chairperson shall be five years. A member of the  
43 commission may be reappointed to succeeding terms without limit  
44 in the same manner as the original appointment. A vacancy  
45 occurring on the commission shall be filled in the same manner as  
46 the original appointment and only for the unexpired term.

1       34. (New section) The School Employees' Health Benefits  
2 Program, authorized by sections 31 through 41 of  
3 P.L. , c. (C. )(pending before the Legislature as this bill),  
4 shall be administered in the Department of the Treasury.  
5 Administrative services required by the commission shall be  
6 provided through the Division of Pensions and Benefits, and the  
7 Director of the Division of Pensions and Benefits shall be the  
8 secretary of the commission. The commission shall establish a  
9 health benefits program for the school employees of the State, the  
10 cost of which shall be paid as specified in this act. The commission  
11 shall, by a majority vote of its full authorized membership, establish  
12 and change rules and regulations as may be deemed reasonable and  
13 necessary for the administration of this act. Until such rules and  
14 regulations are established, the rules and regulations of the State  
15 Health Benefits Commission shall be deemed to apply to the School  
16 Employees' Health Benefits Program.

17       The Attorney General shall be the legal advisor of the  
18 commission.

19       The members of the commission shall serve without  
20 compensation but shall be reimbursed for any necessary  
21 expenditure.

22       The commission shall ensure that audits and reviews are  
23 performed as required by section 40 of P.L. , c. (C. ) (pending  
24 before the Legislature as this bill). Actions of the commission  
25 related to such audits and reviews shall require a majority vote of  
26 the full authorized membership of the commission to be approved.

27       Except as otherwise specified in this act, actions of the  
28 commission shall require the affirmative vote of a majority of the  
29 members present at a meeting at which a majority of the full  
30 authorized membership is present.

31

32       35. (New section) a. The commission shall negotiate with and  
33 arrange for the purchase, on such terms as it deems in the best  
34 interests of the State, participating employers and those persons  
35 covered hereunder from carriers licensed to operate in the State or  
36 in other jurisdictions, as appropriate, contracts providing benefits  
37 required by the School Employees' Health Benefits Program Act, as  
38 specified in section 36 of P.L. , c. (C. )(pending before the  
39 Legislature as this bill), or such benefits as the commission may  
40 determine to provide, so long as such modification of benefits are in  
41 the best interests of the State, participating employers and those  
42 persons covered hereunder, and are consistent with the provisions  
43 of section 40 of that act. The commission shall have authority to  
44 execute all documents pertaining thereto for and on behalf of the  
45 State. The commission shall not enter into a contract under the  
46 School Employees' Health Benefits Program Act, unless the  
47 benefits provided thereunder are equal to or exceed the standards

1 specified in section 36 of that act, or as such standards are modified  
2 pursuant to section 40 of that act.

3 b. The rates charged for any contract purchased under the  
4 authority of the School Employees' Health Benefits Program Act  
5 shall reasonably and equitably reflect the cost of the benefits  
6 provided based on principles which in the judgment of the  
7 commission are actuarially sound. The rates charged shall be  
8 determined based upon accepted group rating principles with due  
9 regard to the experience, both past and contemplated, under the  
10 contract. The commission shall have the right to particularize  
11 subgroups for experience purposes and rates. No increase in rates  
12 shall be retroactive.

13 c. The commission shall be authorized to accept an assignment  
14 of contract rights from or enter into an agreement, contract,  
15 memorandum of understanding or other terms with the State Health  
16 Benefits Commission to ensure that coverage for eligible  
17 employees, retirees and dependents under the School Employees'  
18 Health Benefits Program whose benefits had been provided through  
19 the State Health Benefits Program is continued without interruption.  
20 The transition provided for in this subsection shall occur within one  
21 year of the effective date of the School Employees' Health Benefits  
22 Program Act, sections 31 through 41 of  
23 P.L. , c. (C. )(pending before the Legislature as this bill).

24 d. Benefits under the contract or contracts purchased as  
25 authorized by the School Employees' Health Benefits Program Act  
26 may be subject to such limitations, exclusions, or waiting periods as  
27 the commission finds to be necessary or desirable to avoid inequity,  
28 unnecessary utilization, duplication of services or benefits  
29 otherwise available, including coverage afforded under the laws of  
30 the United States, such as the federal Medicare program, or for  
31 other reasons.

32 e. The initial term of any contract purchased by the commission  
33 under the authority of the School Employees' Health Benefits  
34 Program Act shall be for such period to which the commission and  
35 the carrier may agree, but permission may be made for automatic  
36 renewal in the absence of notice of termination by the commission.  
37 Subsequent terms for which any contract may be renewed as herein  
38 provided shall each be limited to a period not to exceed one year.

39  
40 36. (New section) a. Notwithstanding the provisions of any  
41 other law to the contrary, the commission shall not enter into a  
42 contract under the School Employees' Health Benefits Program Act,  
43 sections 31 through 41 of P.L. , c. (C. )(pending before the  
44 Legislature as this bill), for the benefits provided pursuant to the  
45 act, unless the level of benefits provided under the contract entered  
46 into is equal to or exceeds the level of benefits provided in this  
47 section, or as modified pursuant to section 40 of that act. Only  
48 benefits for medically necessary services that are not deemed

1 experimental, investigative or otherwise not eligible medical  
2 services shall be provided. The determination that services are not  
3 "eligible medical services" shall be made by the commission  
4 consistent with the best interests of the State, participating  
5 employers and those persons covered hereunder. Benefits for  
6 services provided pursuant to the School Employees' Health  
7 Benefits Act shall be subject to limits or exclusions consistent with  
8 those that apply to benefits provided pursuant to the New Jersey  
9 State Health Benefits Program Act. The services provided pursuant  
10 to this section shall include all services, subject to applicable limits  
11 and exclusions, provided through the State Health Benefits Program  
12 as of July 1, 2007. The list of services in subsection b. of this  
13 section is not intended to be exclusive or to require that any limits  
14 or exclusions be exceeded.

15 b. The services covered hereunder by the School Employees'  
16 Health Benefits Program shall include:

17 (1) Physician services, including:

18 (a) Inpatient services, including:

19 (i) medical care including consultations;

20 (ii) surgical services and services related thereto; and

21 (iii) obstetrical services including normal delivery,  
22 cesarean section, and abortion.

23 (b) Outpatient/out-of-hospital services, including:

24 (i) office visits for covered services and care;

25 (ii) allergy testing and related diagnostic/therapy  
26 services;

27 (iii) dialysis center care;

28 (iv) maternity care;

29 (v) well child care;

30 (vi) child immunizations/lead screening;

31 (vii) routine adult physicals including pap, mammography,  
32 and prostate examinations; and

33 (viii) annual routine obstetrical/gynecological exam.

34 (2) Hospital services, both inpatient and outpatient, including:

35 (a) room and board;

36 (b) intensive care and other required levels of care;

37 (c) semi-private room;

38 (d) therapy and diagnostic services;

39 (e) surgical services or facilities and treatment related  
40 thereto;

41 (f) nursing care;

42 (g) necessary supplies, medicines, and equipment for care;  
43 and

44 (h) maternity care and related services.

45 (3) Other facility and services, including:

46 (a) approved treatment centers for medical emergency/  
47 accidental injury;

48 (b) approved surgical center;

- 1 (c) hospice;  
2 (d) chemotherapy;  
3 (e) diagnostic x-ray and lab tests;  
4 (f) ambulance;  
5 (g) durable medical equipment;  
6 (h) prosthetic devices;  
7 (i) foot orthotics;  
8 (j) diabetic supplies and education; and  
9 (k) oxygen and oxygen administration.
- 10 c. Benefits under the contract or contracts purchased as  
11 authorized by the School Employees' Health Benefits Program Act  
12 shall include those for the treatment of alcoholism where such  
13 treatment is prescribed by a physician and shall also include  
14 treatment while confined in or as an outpatient of a licensed  
15 hospital or residential treatment program which meets minimum  
16 standards of care equivalent to those prescribed by the Joint  
17 Commission on Hospital Accreditation. No benefits shall be  
18 provided beyond those stipulated in the contracts held by the School  
19 Employees' Health Benefits Commission.
- 20 d. Benefits under the contract or contracts purchased as  
21 authorized by the School Employees' Health Benefits Program Act  
22 shall include those for mental health services subject to limits and  
23 exclusions consistent with those that apply to benefits for such  
24 services pursuant to the New Jersey State Health Benefits Program  
25 Act. Coverage for biologically-based mental illness, as defined in  
26 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in  
27 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 28 e. Coverage provided under the School Employees' Health  
29 Benefits Program Act shall include coverage for all services for  
30 which coverage is mandated in the State Health Benefits Program  
31 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).
- 32 f. (1) As used in this subsection:
- 33 (a) "brand name" means the proprietary or trade name assigned  
34 to a drug product by the manufacturer or distributor of the drug  
35 product.
- 36 (b) "carrier" means an insurance company, hospital, medical, or  
37 health service corporation, preferred provider organization, or  
38 health maintenance organization under agreement or contract with  
39 the commission to administer the School Employee Prescription  
40 Drug Plan.
- 41 (c) "School Employee Prescription Drug Plan" means the plan  
42 for providing payment for eligible prescription drug expenses of  
43 members of the School Employees' Health Benefits Program and  
44 their eligible dependents.
- 45 (d) "generic drug products" means prescription drug products  
46 and insulin approved and designated by the United States Food and  
47 Drug Administration as therapeutic equivalents for reference listed  
48 drug products. The term includes drug products listed in the New

1 Jersey Generic Formulary by the Drug Utilization Review Council  
2 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

3 (e) "mail-order pharmacy" means the mail order program  
4 available through the carrier.

5 (f) "preferred brands" means brand name prescription drug  
6 products and insulin determined by the carrier to be more cost  
7 effective alternative for prescription drug products and insulin with  
8 comparable therapeutic efficacy within a therapeutic class, as  
9 defined or recognized in the United States Pharmacopeia or the  
10 American Hospital Formulary Service Drug Information, or by the  
11 American Society of Health Systems Pharmacists. A drug product  
12 for which there is no other therapeutically equivalent drug product  
13 shall be a preferred brand. Determinations of preferred brands by  
14 the carrier shall be subject to review and modification by the  
15 commission.

16 (g) "retail pharmacy" means a pharmacy, drug store or other  
17 retail establishment in this State at which prescription drugs are  
18 dispensed by a registered pharmacist under the laws of this State, or  
19 a pharmacy, drug store or other retail establishment in another state  
20 at which prescription drug products are dispensed by a registered  
21 pharmacist under the laws of that state if expenses for prescription  
22 drug products dispensed at the pharmacy, drug store, or other retail  
23 establishment are eligible for payment under the School Employee  
24 Prescription Drug Plan.

25 (h) "other brands" means prescription drug products which are  
26 not preferred brands or generic drug products. A new drug product  
27 approved by the United States Food and Drug Administration which  
28 is not a generic drug product shall be included in this category until  
29 the carrier makes a determination concerning inclusion of the drug  
30 product in the list of preferred brands.

31 (2) (a) Employers that participate in the School Employees'  
32 Health Benefits Program may offer to their employees and eligible  
33 dependents:

34 (i) enrollment in the School Employee Prescription Drug Plan,  
35 or

36 (ii) enrollment in another free-standing prescription drug plan, or

37 (iii) election of prescription drug coverage under their health  
38 care coverage through the School Employees' Health Benefits  
39 Program plan or as otherwise determined by the commission.

40 (b) A co-payment shall be required for each prescription drug  
41 expense if the employer chooses to participate in the School  
42 Employee Prescription Drug Plan. The initial amounts of the co-  
43 payments shall be the same as those in effect on July 1, 2007 for the  
44 employee prescription drug plan offered through the State Health  
45 Benefits Program.

46 (c) If the employer elects to offer a free-standing prescription  
47 drug plan, the employee's share of the cost for this prescription drug  
48 plan may be determined by means of a binding collective

1 negotiations agreement, including any agreements in force at the  
2 time the employer commences participation in the School  
3 Employees' Health Benefits Program.

4 (d) If an employee declines the employer's offering of a free-  
5 standing prescription drug plan, no reimbursement for prescription  
6 drugs shall be provided under the health care coverage through the  
7 School Employees' Health Benefits Program plan in which the  
8 employee is enrolled.

9 (e) Prescription drug classifications that are not eligible for  
10 coverage under the employer's prescription drug plan shall also not  
11 be eligible for coverage under the health care coverage through the  
12 School Employees' Health Benefits Program plan except as  
13 federally or State mandated.

14 (f) If the employer elects to not offer a free-standing  
15 prescription drug plan, then the employer shall offer prescription  
16 drug coverage under the health care coverage through the School  
17 Employees' Health Benefits Program plan or as determined by the  
18 commission. Any plan that has in-network and out-of-network  
19 coverage shall cover prescription drugs at 90% in-network and at  
20 the out-of-network rate applicable to health care coverage in the  
21 plan. The out-of-pocket amounts paid towards prescription drugs  
22 shall be combined with out-of-pocket medical payments to reach all  
23 out-of-pocket maximums.

24 (g) Health care coverages through the School Employees'  
25 Health Benefits Program that only have in-network benefits shall  
26 include a prescription card with co-payment amounts the same as  
27 those in effect on July 1, 2007 for such coverages offered through  
28 the State Health Benefits Program.

29 (h) In the fifth year following the initial appointment of all of its  
30 members, the commission shall, as part of the fifth year audit and  
31 review undertaken pursuant to section 40 of that act, review the  
32 prescription drug program established in this subsection and may  
33 make changes in the program pursuant to the terms of section 40 by  
34 majority vote of the full authorized membership of the commission.  
35

36 37. (New section) Beginning with the initial year of the School  
37 Employees' Health Benefits Program, the commission shall offer to  
38 participating employers and to qualified employees, retirees and  
39 dependents a managed care plan in which the office co-payment  
40 amount shall be \$10 per visit with a maximum out-of-pocket of  
41 \$400 per individual and \$1,000 per family for in-network services  
42 for each calendar year. The out-of-network deductible shall be \$100  
43 per individual and \$250 per family for each calendar year with the  
44 plan paying for 80% of reasonable and customary charges as  
45 defined herein up to an out-of-pocket maximum that shall not  
46 exceed \$2,000 per individual and \$5,000 per family for each  
47 calendar year.



1 In the successor plan, the in-network out-of-pocket payments  
2 shall count toward the out-of-network out-of-pocket maximums.  
3 Any lifetime maximum for out-of-network services shall not be less  
4 than any maximums in effect under the State Health Benefits  
5 Program as of July 1, 2007. There shall be no lifetime maximum  
6 for in-network services.

7 The carrier that administers the successor plan shall make  
8 available to the plan participants through in-network and out-of-  
9 network providers access to physicians and hospitals sufficient in  
10 geographic scope and number to provide access to health care  
11 services that is substantially equivalent to the access to health care  
12 services available through the State Health Benefits Program as of  
13 July 1, 2007.

14 Beginning with the initial year of the School Employees' Health  
15 Benefits Program, the commission shall be authorized to offer to  
16 participating employers and qualified employees, retirees and  
17 dependents managed care plans in which the in-network per visit  
18 charge shall not exceed \$15 per visit and the out of network  
19 reimbursement shall be 70% of reasonable and customary charges  
20 as defined herein, provided the in-network and out-of-network  
21 maximums and deductibles do not exceed the limits set forth above.

22 The amounts of maximums, co-pays, deductibles, and other  
23 participant costs shall be reviewed, as part of the fifth year audit  
24 undertaken pursuant to section 40 of P.L. , c. (C. )(pending  
25 before the Legislature as this bill). The commission shall make  
26 changes in such amounts pursuant to section 40 by majority vote of  
27 the full authorized membership of the commission.

28 "Reasonable and customary charges" means, for any out-of-  
29 network payment made by a carrier, charges based upon the 90th  
30 percentile of the usual, customary, and reasonable (UCR) fee  
31 schedule determined by the Health Insurance Association of  
32 America or a similar nationally recognized database of prevailing  
33 health care charges.

34 Beginning with the initial year of the School Employees' Health  
35 Benefits Program, the commission shall offer to participating  
36 employers and qualified employees, retirees and dependents one or  
37 more health maintenance organization plans.

38

39 38. (New section) a. Retirees and eligible dependents who  
40 participate in the School Employees' Health Benefits Program shall  
41 be eligible to participate in the School Retiree Prescription Drug  
42 Plan. The definitions in subsection f. of section 36 of  
43 P.L. , c. (C. )(pending before the Legislature as this bill) shall  
44 apply to the School Retiree Prescription Drug Plan.

45 b. There shall be no annual deductible amount that retirees or  
46 their eligible dependents shall be required to satisfy before  
47 eligibility for payment of prescription drug expenses under the  
48 School Retiree Prescription Drug Plan.

1 c. Eligibility of prescription drug expenses for coverage under  
2 the School Retiree Prescription Drug Plan shall be determined on  
3 the same basis as reasonable and necessary medical expenses under  
4 the School Employees' Health Benefits Program.

5 d. A co-payment shall be required for each prescription drug  
6 expense until a retiree or eligible dependent satisfies the maximum  
7 annual out-of-pocket expense for a calendar year prescribed in  
8 subsection f. of this section. The amounts of the co-payments shall  
9 be the same as those in effect as of July 1, 2007 for retiree  
10 prescription drug coverage under the State Health Benefits  
11 Program. The commission shall promulgate rules that shall  
12 establish a formula for a reasonable annual escalator to the amount  
13 of co-payment.

14 e. The supply of a drug product eligible for coverage under the  
15 School Retiree Prescription Drug Plan for each prescription drug  
16 expense shall be limited to 30 days if the prescription is filled at a  
17 retail pharmacy, and 90 days if the prescription is filled through the  
18 mail-order pharmacy.

19 f. The amount of out-of-pocket expense that a retiree or eligible  
20 dependent shall pay in a calendar year for eligible prescription drug  
21 expenses under the School Retiree Prescription Drug Plan shall be  
22 limited in the first year of the plan to the amount in effect on July 1,  
23 2007 for retiree prescription drug coverage under the State Health  
24 Benefits Program. The commission shall promulgate rules that  
25 shall establish a formula for a reasonable annual escalator to the  
26 amount of out-of-pocket expense.

27 g. In the fifth year following the initial appointment of all of its  
28 members, the commission shall, as part of the fifth year audit and  
29 review undertaken pursuant to section 40 of  
30 P.L. , c. (C. )(pending before the Legislature as this bill),  
31 review the amounts established in this section and make any  
32 changes that it deems appropriate pursuant to section 40 of  
33 P.L. , c. (C. )(pending before the Legislature as this bill) by  
34 majority vote of the full authorized membership of the commission.  
35

36 39. (New section) a. For each active covered employee and for  
37 the eligible dependents the employee may have enrolled at the  
38 employee's option, from funds appropriated therefor, the employer  
39 shall pay to the commission the premium or periodic charges for the  
40 benefits provided under the contract in amounts equal to the  
41 premium or periodic charges for the benefits provided under such a  
42 contract covering the employee and the employee's enrolled  
43 dependents.

44 b. The obligations of any employer to pay the premium or  
45 periodic charges for health benefits coverage provided under the  
46 School Employees' Health Benefits Program Act, sections 31  
47 through 41 of P.L. , c. (C. )(pending before the Legislature as  
48 this bill), may be determined by means of a binding collective

1 negotiations agreement, including any agreement in force at the  
2 time the employer commences participation in the School  
3 Employees' Health Benefits Program. With respect to employees  
4 for whom there is no majority representative for collective  
5 negotiations purposes, the employer may, in its sole discretion,  
6 modify the respective payment obligations set forth in law for the  
7 employer and such employees in a manner consistent with the terms  
8 of any collective negotiations agreement binding on the employer.

9 c. There is hereby established a School Employee Health  
10 Benefits Program fund consisting of all contributions to premiums  
11 and periodic charges remitted to the State treasury by participating  
12 employers for employee coverage. All such contributions shall be  
13 deposited in the fund and the fund shall be used to pay the portion  
14 of the premium and periodic charges attributable to employee and  
15 dependent coverage.

16 d. Notwithstanding any law to the contrary, the payment in full  
17 of premium or periodic charges for eligible retirees and their  
18 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-  
19 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section  
20 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without  
21 alteration or interruption and there shall be no premium sharing or  
22 periodic charges for school employees in retirement once they have  
23 met the criteria for vesting for pension benefits, which criteria for  
24 purposes of this subsection only shall mean the criteria for vesting  
25 in the Teachers' Pension and Annuity Fund. For purposes of this  
26 subsection, "premium sharing or periodic charges" shall mean  
27 payments by eligible retirees based upon a proportion of the  
28 premiums for health care benefits.

29  
30 40. (New section) a. The School Employees' Health Benefits  
31 Commission shall publish annually, at least 30 days prior to the  
32 commencement of the open enrollment period for that year, a report  
33 showing the fiscal transactions of the program for the preceding  
34 calendar year and stating other facts pertinent to the program and all  
35 participating employers.

36 b. At the same time as the annual report is published, the  
37 commission shall publish an audit report of the program's costs and  
38 the aggregate usage of plan participants during the preceding  
39 calendar year, which audit shall be prepared by a qualified  
40 independent auditor selected by the commission in accordance with  
41 applicable laws regarding selection of auditing services. The  
42 independent auditor shall include in its report specific  
43 recommendations that are projected to result in cost savings to the  
44 State and to participating employers.

45 The specific recommendations to be submitted in the annual  
46 audit report shall include, but not be limited to, savings achievable  
47 through disease management, prescription benefit management, and  
48 elimination of administrative and program inefficiencies. In

1 addition, the annual audit may recommend changes to the benefits  
2 provided under the School Employees' Health Benefits Program  
3 that improve the overall ability to retain and attract eligible  
4 employees.

5 c. The commission shall submit the annual report and annual  
6 audit report to the Governor and the Legislature, and shall make  
7 these reports available to every participating employer.

8 d. At the start of the fifth year following the initial appointment  
9 of all of its members, and at the start of every fifth year thereafter,  
10 the commission shall contract with an independent, qualified  
11 auditor, separate from the person performing the annual audit  
12 described in subsection b. of this section, for a comprehensive  
13 review and audit of all elements of the program, as well as the plan  
14 design and structure for each plan offered by the commission. The  
15 auditor shall be qualified by experience, training, resources, and  
16 education to perform intensive audits of public health insurance  
17 plans that are of a similar size and scope and shall be familiar with  
18 benefit designs of employers that are eligible but do not participate  
19 in the commission. The auditor shall be selected in accordance with  
20 applicable law.

21 e. Each fifth year review and audit shall be the annual audit for  
22 that year and the review shall include all of the elements contained  
23 in the annual audit plus the additional reviews set forth in this  
24 subsection. In addition to performing the tasks of the annual audit,  
25 the auditor selected for a fifth year review shall review the program  
26 costs, plan design, and plan structure and may issue  
27 recommendations for cost sharing measures, including  
28 modifications of co-payments, deductibles, out-of-pocket  
29 maximums, limits, exclusions, and other measures to be considered  
30 for implementation by the commission. The commission is  
31 authorized to implement such recommendations pursuant to  
32 majority vote of the full authorized membership of the commission.

33 The commission shall submit the five-year review and audit  
34 report to the Governor and the Legislature and shall make the report  
35 available to every participating employer.

36  
37 41. (New section) All provisions of P.L.1961, c.49 (C.52:14-  
38 17.25 et seq.) applicable to the State Health Benefits Program shall,  
39 except as expressly stated in the School Employees' Health Benefits  
40 Program Act, be construed as applicable to participating employers  
41 and to their employees and to dependents of such employees, and to  
42 retirees and to dependents of such retirees, in the School  
43 Employees' Health Benefits Program.

44  
45 42. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to  
46 read as follows:

47 3. A qualified retiree from the Teachers' Pension and Annuity  
48 Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified retiree,

1 but not including survivors, are eligible to participate in the  
2 **[program] State Health Benefits Program until June 30, 2008, and**  
3 **beginning July 1, 2008, in the School Employees' Health Benefits**  
4 **Program**, regardless of whether the retiree's employer participated  
5 in the program.

6 A qualified retiree is a retiree who:

- 7 a. Retired on a benefit based on 25 or more years of service  
8 credit;
- 9 b. Retired on a disability pension based on fewer years of  
10 service credit; or
- 11 c. Elected deferred retirement based on 25 or more years of  
12 service credit and who receives a retirement allowance.

13 The program shall reimburse a qualified retiree who participates  
14 in the program for the premium charges under Part B of the federal  
15 medicare program for the retiree and the retiree's spouse. A  
16 qualified retiree who retired under subsections a. and b. of this  
17 section prior to the effective date of this 1987 amendatory and  
18 supplementary act is eligible for the coverage if the retiree applies  
19 to the program for it within one year after the effective date, and a  
20 qualified retiree as defined under subsection c. of this section whose  
21 retirement allowance commenced prior to the effective date of this  
22 1992 amendatory act is eligible for the coverage if the retiree  
23 applies to the program for it within one year after the effective date.

24 The premium or periodic charges for benefits provided to a  
25 qualified retiree and the dependents of the retiree, and the cost for  
26 reimbursement of medicare premiums shall be paid by the  
27 **[Teachers' Pension and Annuity Fund] State**.

28 (cf: P.L.1994, c.62, s.12)

29

30 43. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to  
31 read as follows:

32 2. **[a.]** Pension adjustment benefits for members and  
33 beneficiaries of the Teachers' Pension and Annuity Fund as  
34 provided by the "Pension Adjustment Act," P.L.1958, c.143  
35 (C.43:3B-1 et seq.), shall be paid by the retirement system and shall  
36 be funded as employer obligations by the same method provided by  
37 law for the funding of employer obligations for the basic retirement  
38 benefits provided by the retirement system.

39 **[b.]** Health care benefits for qualified retirees and their  
40 dependents as provided by section 3 of P.L.1987, c.384 (C.52:14-  
41 17.32f) shall be funded and paid by the retirement system through a  
42 separate fund or trust of the retirement system in accordance with  
43 the requirements of the federal Internal Revenue Code. Beginning  
44 with the actuarial valuation period ending March 31, 1994, the  
45 actuary of the retirement system shall annually compute a  
46 contribution to fund these health care benefits which shall be the  
47 amount necessary to pay the anticipated premiums or periodic  
48 charges for the benefits for the following valuation period and to

1 provide that the balance in the fund as of the end of the following  
2 valuation period shall be increased by 1/2 of 1% of the salary of the  
3 active members for the valuation period, except that contributions  
4 to increase the balance in the fund shall not be made in State fiscal  
5 years 2002 and 2003. Beginning with the actuarial valuation period  
6 ending June 30, 2002, the contribution shall be computed to provide  
7 that the balance in the fund shall be increased by 3/5 of 1% of the  
8 salary of the active members for the valuation period. Any monies  
9 in a separate fund or trust maintained by the retirement system to  
10 pay for health care benefits for qualified retirees and their  
11 dependents as provided in this section may be used in State fiscal  
12 year 2002 to pay the premiums or periodic charges for the benefits.  
13 If the assets in the fund are insufficient to pay the premiums or  
14 periodic charges for the benefits, they shall be paid directly by the  
15 State. Nothing hereinabove shall alter health care benefits for  
16 qualified retirees and their dependents or relieve the State from its  
17 acknowledged obligation to fund the benefits.】

18 (cf: P.L.2002, c.11, s.1)

19

20 44. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to  
21 read as follows:

22 2. 【a.】 Pension adjustment benefits for members and  
23 beneficiaries of the Public Employees' Retirement System provided  
24 by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et  
25 seq.), shall be paid by the retirement system and shall be funded as  
26 employer obligations by the same method provided by law for the  
27 funding of employer obligations for the basic retirement benefits  
28 provided by the retirement system. Normal and accrued liability  
29 contributions for pension adjustment benefits for active employees  
30 of employers other than the State shall be determined for the 1992  
31 valuation year and shall be phased in so that the level of recognition  
32 of the full normal and accrued liability contributions for the State  
33 and other employers shall be 20% for valuation year 1992 and 24%  
34 for valuation year 1993, and shall be increased by 2.24% for each  
35 valuation year thereafter until the full normal and accrued liability  
36 contributions are fully recognized.

37 【b. Health care benefits for retired State employees and their  
38 dependents for which the State is required to pay the premiums or  
39 periodic charges under the "New Jersey State Health Benefits  
40 Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be  
41 funded and paid by the retirement system through a separate fund or  
42 trust of the retirement system in accordance with the requirements  
43 of the federal Internal Revenue Code. Beginning with the actuarial  
44 valuation period ending March 31, 1994, the actuary of the  
45 retirement system shall annually compute a contribution to fund  
46 these health care benefits which shall be the amount necessary to  
47 pay the anticipated premiums or periodic charges for the benefits  
48 for the following valuation period and to provide that the balance in

1 the fund as of the end of the following valuation period shall be  
2 increased by 1/2 of 1% of the salary of the active members for the  
3 valuation period, except that contributions to increase the balance in  
4 the fund shall not be made in State fiscal years 2002 and 2003.  
5 Beginning with the actuarial valuation period ending June 30, 2002,  
6 the contribution shall be computed to provide that the balance in the  
7 fund shall be increased by 3/5 of 1% of the salary of the active  
8 members for the valuation period. Any monies in a separate fund or  
9 trust maintained by the retirement system to pay for health care  
10 benefits for qualified retirees and their dependents as provided in  
11 this section may be used in State fiscal year 2002 to pay the  
12 premiums or periodic charges for the benefits. If the assets in the  
13 fund are insufficient to pay the premiums or periodic charges for  
14 the benefits, they shall be paid directly by the State. Nothing  
15 hereinabove shall alter health care benefits for qualified retirees and  
16 their dependents or relieve the State from its acknowledged  
17 obligation to fund the benefits.】

18 (cf: P.L.2002, c.11, s.2)

19

20 45. Section 3 of P.L.1993, c.8 (C.52:14-17.38c) is amended to  
21 read as follows:

22 3. With respect to any policy or contract between a local board  
23 of education and an insurance company writing insurance pursuant  
24 to Title 17B of the New Jersey Statutes, hospital service  
25 corporation, medical service corporation, health service corporation,  
26 or health maintenance organization which provides hospital or  
27 medical expense benefits:

28 a. upon the commencement of any policy or contract entered  
29 into after the effective date of this amendatory and supplementary  
30 act, P.L.1993, c.8 (C.52:14-17.38b et al.); or

31 b. in the case of any policy or contract in effect as of the  
32 effective date of this act, no earlier than the second anniversary date  
33 after the effective date of this act of any such policy or contract, the  
34 insurance company, hospital service corporation, medical service  
35 corporation, health service corporation, or health maintenance  
36 organization shall annually pay to the State Health Benefits  
37 Program a surcharge in the form of a percentage of the claims paid  
38 by the insurance company, hospital service corporation, medical  
39 service corporation, health service corporation, or health  
40 maintenance organization which are attributable to the coverage of  
41 the employees of the board and their dependents for the time period  
42 from July 1 through the following June 30, except that if the  
43 commencement or the second anniversary date of the policy or  
44 contract occurs after July 1, the initial surcharge shall be prorated  
45 for the remainder of that year from July 1 through the following  
46 June 30. The surcharge shall be paid on or before December 31 of  
47 the time period for which it is payable in the manner prescribed  
48 hereinafter, except that if the commencement or second anniversary

1 date of the policy or contract occurs on or after November 1, an  
2 estimated initial surcharge shall be paid no later than the end of the  
3 sixth month following the commencement or anniversary date of the  
4 policy or contract or July 1 following the commencement or  
5 anniversary date of the policy or contract, whichever is earlier, and  
6 the actual surcharge payable for the initial time period shall be  
7 determined and adjustments, if any, shall be made to the surcharge  
8 payable for the succeeding time period in the manner prescribed  
9 hereinafter.

10 The initial surcharge percentage for the time period July 1, 1993  
11 through June 30, 1994 shall be 3.25%. The State Treasurer shall  
12 thereafter annually redetermine the surcharge percentage, which  
13 shall be the percentage of total claims paid for active employees and  
14 for retired employees receiving health care coverage under the State  
15 Health Benefits Program pursuant to section 3 of P.L.1987, c.384  
16 (C.52:14-17.32f) or subsection a. of section 2 of P.L.1992, c.126  
17 (C.52:14-17.32f1) who are not eligible for Medicare which is  
18 reasonably attributable to the excess claim cost for these retired  
19 employees. The State Treasurer shall annually provide an estimated  
20 surcharge percentage based upon the claims paid for the 12 months  
21 immediately preceding the time period for which the surcharge is  
22 payable. Except as otherwise provided herein in the case of the  
23 initial surcharge, each organization shall pay to the State Health  
24 Benefits Program an estimated surcharge on or before December 31  
25 of the time period for which the surcharge is payable, which shall  
26 be the amount determined by multiplying the total claims paid by  
27 the organization for the coverage for the 12 months immediately  
28 preceding the time period for which the surcharge is payable by the  
29 estimated surcharge percentage. Within three months after the time  
30 period for which the surcharge is payable, the State Treasurer shall  
31 determine the actual surcharge percentage for the time period based  
32 upon the actual claims experience for the period. The surcharge for  
33 the succeeding time period shall be increased or decreased, as  
34 appropriate, by the difference between the estimated surcharge paid  
35 and the surcharge due based upon the actual claims experience.

36 This section shall apply to any policy or contract in which the  
37 insurer has reserved the right to change the premium.

38 Beginning July 1, 2008, a reference to the State Health Benefits  
39 Program in this section shall mean the School Employees' Health  
40 Benefits Program, established pursuant to sections 31 through 41 of  
41 P.L. , c. (C. )(pending before the Legislature as this bill).

42 (cf: P.L.1993, c.8, s.3)

43

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

46 8. a. The **【basic coverage and the major medical】** health care  
47 benefits coverage of any employee, and the employee's dependents,  
48 if any, shall cease upon the discontinuance of the term of office or



1 employment or upon cessation of active full-time employment  
2 subject to such regulations as may be prescribed by the commission  
3 for limited continuance of [basic coverage and major medical]  
4 coverage during disability, part-time employment, leave of absence  
5 or lay off, and for continuance of [basic coverage and major  
6 medical] coverage after retirement, any such continuance after  
7 retirement to be provided at such rates and under such conditions as  
8 shall be prescribed by the commission, subject, however, to the  
9 requirements hereinafter set forth in this section. Notwithstanding  
10 the provisions of any law to the contrary, for law enforcement  
11 officers employed by the State for whom there is a majority  
12 representative for collective negotiation purposes, and for  
13 nonaligned sworn members of the Division of State Police who  
14 retire after July 1, 2005, the coverage options available to such  
15 employees in retirement shall be limited to those options that were  
16 available to the employee on the employee's last day of  
17 employment. The commission may also establish regulations  
18 prescribing an extension of coverage when an employee or  
19 dependent is totally disabled at termination of coverage.

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

39 c. (1) From funds appropriated therefor, the State shall pay the  
40 premium or periodic charges for the benefits provided to a retired  
41 State employee and the employee's dependents covered under the  
42 program, but not including survivors, if such employee retired from  
43 one or more State or locally-administered retirement systems on a  
44 benefit or benefits based in the aggregate on 25 years or more of  
45 nonconcurrent service credited in the retirement systems, excluding  
46 service credited under the Defined Contribution Retirement  
47 Program established pursuant to P.L.2007, c.92 (C.43:15C-1 et al.),  
48 and excepting the employee who elected deferred retirement, but

1 including the employee who retired on a disability pension based on  
2 fewer years of service credited in the retirement systems and shall  
3 also reimburse such retired employee for the premium charges  
4 under Part B of the federal medicare program covering the retired  
5 employee and the employee's spouse. In the case of full-time  
6 employees of the Rutgers University Cooperative Extension  
7 Service, service credited in the federal Civil Service Retirement  
8 System (5 U.S.C.s.8331 et seq.) which was earned as a result of  
9 full-time employment at Rutgers University, may be considered  
10 alone or in combination with service credited in one or more State  
11 or locally-administered retirement systems for the purposes of  
12 establishing the minimum 25-year service requirement to qualify for  
13 the benefits provided in this section. Any full-time employee of the  
14 Rutgers University Cooperative Extension Service who meets the  
15 eligibility requirements set forth in this amendatory act shall be  
16 eligible for the benefits provided in this section, provided that at the  
17 time of retirement such employee was covered by the State Health  
18 Benefits Program and elected to continue such coverage into  
19 retirement.

20 (2) Notwithstanding the provisions of this section to the  
21 contrary, from funds appropriated therefor, the State shall pay the  
22 premium or periodic charges for the benefits provided to a retired  
23 State employee and the employee's dependents covered under the  
24 program, but not including survivors, if: (a) the employee retires on  
25 or after the effective date of this 1987 amendatory act; (b) the  
26 employee was employed by Rutgers University prior to January 2,  
27 1955 and remained in continuous service with Rutgers University  
28 until retirement even though the employee (i) did not join a State-  
29 administered retirement system, or, (ii) became a member of a  
30 State-administered retirement system, but accumulated less than 25  
31 years of credited service; and (c) the employee is covered by the  
32 program at the time of retirement.

33 (3) Notwithstanding the provisions of this section to the  
34 contrary, in the case of an employee of a State college, as described  
35 in chapter 64 of Title 18A of the New Jersey Statutes, or of a  
36 county college, as defined in N.J.S.18A:64A-1, service credited in a  
37 private defined contribution retirement plan which was earned as an  
38 employee of an auxiliary organization, as defined in section 2 of  
39 P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be  
40 considered in combination with service credited in a State-  
41 administered retirement system for the purposes of establishing the  
42 minimum 25-year service requirement to qualify for the benefits  
43 provided in this section, provided that the employee is covered by  
44 the program at the time of retirement.

45 (4) Notwithstanding the provisions of this section to the  
46 contrary, from funds appropriated therefor, the State shall pay the  
47 premium or periodic charges for the benefits provided to a retired  
48 State employee and any dependents covered under the program, but

1 not including survivors, if the employee: (a) retired prior to the  
2 effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under  
3 the State Police Retirement System, established pursuant to  
4 P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than  
5 25 years of service credit in the retirement system; (b) was  
6 subsequently employed by the State in another position or positions  
7 not covered by the State Police Retirement System; (c) has, in the  
8 aggregate, at least 30 years of full-time employment with the State;  
9 and (d) is covered by the program at the time of terminating full-  
10 time employment with the State.

11 (cf: P.L.2007, c.92, s.29)

12

13 47. Section 1 of P.L.1989, c.127 (C.52:14-17.32g) is amended to  
14 read as follows:

15 1. Notwithstanding any other provisions of P.L.1961, c.49  
16 (C.52:14-17.25 et seq.) to the contrary, the [basic benefits and the  
17 major medical expense] health care benefits of any employee of an  
18 employer with at least three years of service under a permanent  
19 appointment with that employer and any dependent of the employee  
20 may be continued and the premiums for the coverage may be paid  
21 by the employer during any approved leave of absence of the  
22 employee with or without pay, for a period of up to two years.

23 For the purposes of this section "employer" means a local board  
24 of education, regional board of education, county college,  
25 educational services commission, jointure commission, county  
26 special services school district, county vocational-technical school  
27 district, or any board or commission under the authority of the  
28 Commissioner of Education, or State Board of Education, as the  
29 case may be.

30 (cf: P.L.1989, c.127, s.1)

31

32 48. (New section) Effective July 1, 2007, health care benefits  
33 for retired State employees and their dependents for which the State  
34 is required to pay the premiums or periodic charges under the "New  
35 Jersey State "Health Benefits Program Act," P.L.1961, c. 49  
36 (C.52:14-17.25 et seq.), shall be funded and paid by the State  
37 through a separate fund established in the Department of the  
38 Treasury. Beginning with the valuation period ending June 30,  
39 2007, the Director of the Division of Pensions and Benefits shall  
40 annually compute a contribution to fund these health care benefits  
41 which shall be the amount necessary to pay the anticipated  
42 premiums or periodic charges for the benefits for the following  
43 valuation period and to provide that the balance in the fund as of the  
44 end of the following valuation period shall be increased by 3/5 of  
45 1% of the salary of the active members for the valuation period. If  
46 the assets in the fund are insufficient to pay the premiums or  
47 periodic charges for the benefits, they shall be paid directly by the  
48 State. Nothing herein above shall alter health care benefits for

1 qualified retirees and their dependents or relieve the State from its  
2 acknowledged obligation to fund the benefits.

3  
4 49. (New section) Effective July 1, 2007, health care benefits  
5 for qualified retirees and their dependents as provided by section 3  
6 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126  
7 (C.52:14-17.32f1) and section 1 of P.L.1995, c.357 (C.52:14-  
8 17.32f2) shall be funded and paid by the State through a separate  
9 fund established in the Department of the Treasury. Beginning with  
10 the valuation period ending June 30, 2007, the Director of the  
11 Division of Pensions and Benefits shall annually compute a  
12 contribution to fund these health care benefits which shall be the  
13 amount necessary to pay the anticipated premiums or periodic  
14 charges for the benefits for the following valuation period and to  
15 provide that the balance in the fund as of the end of the following  
16 valuation period shall be increased by  $\frac{3}{5}$  of 1% of the salary of the  
17 active members for the valuation period. If the assets in the fund  
18 are insufficient or are not used to pay the premiums or periodic  
19 charges for the benefits, such premiums or periodic charges shall be  
20 paid directly by the State. Nothing hereinabove shall alter health  
21 care benefits for qualified retirees and their dependents or relieve  
22 the State from its acknowledged obligation to fund the benefits.

23  
24 50. This act shall take effect immediately, except that sections  
25 11 through 16, inclusive, shall take effect July 1, 2007, and sections  
26 27 through 29, inclusive, shall take effect July 1, 2008, and sections  
27 31 through 41, inclusive, shall take effect immediately and shall be  
28 implemented as soon as practicable as determined by the School  
29 Employees' Health Benefits Commission so that the School  
30 Employees' Health Benefits Program shall be operational as of July  
31 1, 2008.

32

33

34

## STATEMENT

35

### I. Pension Benefits

36

37  
38 Sections 1 to 6 of this bill increase the member contribution rate  
39 for the Teachers' Pension and Annuity Fund (TPAF), for Public  
40 Employees' Retirement System (PERS), and for the Defined  
41 Contribution Retirement Program (DCRP) from 5% of annual  
42 compensation to 5.5% of annual compensation. For teachers and  
43 public employees currently enrolled in these systems, the increase  
44 will be effective with the next payroll period that begins  
45 immediately after July 1, 2007.

46 Sections 7 and 8 of this bill change the "early retirement"  
47 provisions of the TPAF and PERS for teachers and public  
48 employees who become members of the systems on or after July 1,

1 2007. While such a new member who accrues 25 or more years of  
2 service will be able to retire before the service retirement age of 60,  
3 the member's retirement allowance will be reduced by 1% per year  
4 for each year (1/12 of 1% per month) the member lacks of being  
5 age 60 but over age 55 and by 3% per year for each year (1/4 of 1%  
6 per month) the member lacks of being age 55. Currently, a member  
7 of TPAF or PERS with 25 or more years of service is able to retire  
8 before the "early retirement" age of 55, but the member's retirement  
9 allowance is reduced by 3% per year for each year (1/4 of 1% per  
10 month) the member lacks of being age 55.

11 Sections 9 to 18 of this bill impose a maximum compensation  
12 upon which contributions will be made for TPAF and PERS  
13 purposes for teachers and public employees who become members  
14 of those systems on or after July 1, 2007. The maximum amount  
15 will be the amount of base or the contractual salary equivalent to  
16 the annual maximum wage contribution base for Social Security,  
17 pursuant to the federal Insurance Contributions Act. For 2007, that  
18 amount is \$97,500. A new member for whom this annual maximum  
19 will be reached in any year will become a participant of the newly  
20 created Defined Contribution Retirement Program, unless the  
21 member irrevocably elects to waive the participation. For the  
22 amount of compensation over the maximum compensation, 5.5%  
23 will be deducted as a contribution for the purposes of the program.  
24 When a TPAF or PERS member also becomes a participant in the  
25 Defined Contribution Program, the life insurance and disability  
26 benefit provisions of that program will be available for that  
27 participant.

28 The provisions of this bill concerning "early retirement" and  
29 maximum compensation will apply to teachers and public  
30 employees who become members of the TPAF or PERS on or after  
31 July 1, 2007. This will not apply to a person who at the time of  
32 enrollment in one of these systems on or after July 1, 2007 transfers  
33 service credit from another State-administered retirement system,  
34 but will apply to a former member of one of these systems who has  
35 been granted a retirement allowance and is reenrolled in the  
36 retirement system on or after July 1, 2007 after becoming employed  
37 again in a position that makes the person eligible to be a member of  
38 the retirement system.

39

## 40 II. Health Care Benefits

41

42 In addition, the bill amends the State Health Benefits Program  
43 (SHBP) statutes to reflect changes to the program to be  
44 implemented as the result of binding collective negotiations  
45 agreements between the Executive branch and collective bargaining  
46 units representing State employees. There are two basic changes:  
47 (1) the creation of, and grant of authority, to the State Health  
48 Benefits Commission to contract for the administration of, preferred

1 provider organizations (PPOs) and (2) the establishment of an  
2 employee contribution of 1.5% of the employee's base salary  
3 toward the cost of whatever type of SHBP coverage the employee  
4 has chosen. A PPO is a network of health care providers from  
5 whom an enrollee may obtain services without a gatekeeper  
6 physician for a co-payment fee, with services outside of the network  
7 being more expensive. Over a period of time as collective  
8 negotiations occur with additional employee groups, the PPOs will  
9 cover an increasing number of active employees and retirees in  
10 place of the traditional plan and NJ PLUS. SHBP will continue to  
11 offer health care benefits through health maintenance organizations  
12 (HMOs).

13 Reflecting discussions with the New Jersey Education  
14 Association, the bill also establishes a School Employees' Health  
15 Benefits Program (SEHBP) through the School Employees' Health  
16 Benefits Act. The SEHBP will provide health care benefits for  
17 active and retired education employees through PPOs and HMOs  
18 overseen by a new School Employees' Health Benefits  
19 Commission.

20 Section 19 adds a new definition of a "successor plan" to identify  
21 a PPO plan that replaces the traditional plan. The definitions of  
22 "employee" and "dependents" are updated to reflect coverage of  
23 intermittent employees and partners of a civil union.

24 Section 20 provides that, upon the creation of the SEHBP, the  
25 member of the State Health Benefits Commission representing the  
26 New Jersey Education Association will be replaced by a local  
27 employees' representative.

28 Section 21 describes the structure of the new PPOs and how their  
29 benefits are to reflect the benefits of the traditional plan (e.g.,  
30 maximum out-of-pocket of \$400 per individual and \$1,000 per  
31 family in-network; out-of-network charges reimbursed at 80% with  
32 out-of-pocket maximum of \$2,000 per individual, \$5,000 per  
33 family) and NJ PLUS (e.g., doctor's office visit co-payment of \$15;  
34 out-of-network charges reimbursed at 70%). The section also  
35 recognizes that the State Health Benefits Commission may have  
36 issued a request for proposals for the administration of new plans  
37 not including the traditional plan.

38 Section 22 implements the 1.5% of base salary active employee  
39 contribution to the cost of SHBP benefits for State employees per  
40 ratified agreements and for all non-aligned State employees, as well  
41 as the contribution arrangements for retirees. The section also  
42 provides that an employee may terminate the withholding of the  
43 contribution for SHBP benefits if that employee withdraws from  
44 SHBP coverage and certifies current coverage by other health  
45 benefits.

46 Section 23 describes the services and benefits to be included in  
47 contracts for the new PPOs and provides for coordination between  
48 the State Health Benefits Commission and the new School

1 Employees' Health Benefits Commission in effectuating provisions  
2 of the School Employees' Health Benefits Program Act, contained  
3 within this bill, which creates the new SEHBP to cover active and  
4 retired educators.

5 Sections 24, 25 and 26 replace references to the traditional plan  
6 or NJ PLUS with the more general references in statutes related to  
7 notification of termination of a physician contract, SHBP coverage  
8 if both husband and wife are eligible for SHBP benefits, and SHBP  
9 benefits for certain members of the National Guard.

10 Sections 27 through 30 amend SHBP statutes to delete references  
11 to school board participation and coverage of education employees  
12 once their health care benefits are under SEHBP.

13 Section 31 provides that Sections 31 through 41 will be known  
14 and cited as the School Employees' Health Benefits Program Act.

15 Section 32 defines terms used for the School Employees' Health  
16 Benefits Program (SEHBP), which is anticipated to be operational  
17 July 1, 2008. Employers able to participate in SEHBP will include  
18 local and regional school districts, county vocational and special  
19 services school districts, jointure and educational services  
20 commissions, State-operated school districts, charter schools, and  
21 county colleges.

22 Sections 33 through 35 create and describe the responsibilities  
23 and powers of the School Employees' Health Benefits Commission,  
24 administered in the Department of the Treasury. The commission  
25 will have nine members: the State Treasurer, the Commissioner of  
26 the Department of Banking and Insurance, an appointee of the  
27 Governor, a person appointed by the Governor from New Jersey  
28 School Board Association nominations, three persons appointed by  
29 the Governor from New Jersey Education Association nominations,  
30 a person appointed by the Governor from New Jersey State AFL-  
31 CIO nominations, and a chairperson appointed by the Governor  
32 from nominations jointly submitted by at least six of the other eight  
33 members of the commission. The Director of the Division of  
34 Pensions and Benefits will serve as secretary.

35 Sections 36 and 39 describe the benefits, services and payment  
36 obligations of the SEHBP, which will include a PPO that is a  
37 successor plan to the traditional plan, a PPO similar to NJ PLUS  
38 and HMOs, with prescription drug benefits provided through the  
39 School Employee Prescription Drug Plan or a free-standing  
40 employer prescription drug plan or the prescription drug part of a  
41 SEHBP plan. Prescription drug benefits for retirees will be provided  
42 through the School Retiree Prescription Drug Plan.

43 Section 40 requires of the School Employees' Health Benefits  
44 Commission certain annual reports, periodic audits and review of  
45 program costs.

46 Section 41 provides that the provisions of the SHBP statutes will  
47 continue to be applicable to SEHBP, except as expressly stated to

1 the contrary in the School Employees' Health Benefits Program  
2 Act.

3 Sections 42 through 49 amend and supplement existing law to  
4 reflect implementation of the School Employees' Health Benefits  
5 Program.



# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 5005**

with Assembly committee amendments

# STATE OF NEW JERSEY

DATED: JUNE 18, 2007

The Assembly Budget Committee reports favorably Assembly Bill No. 5005, with committee amendments.

#### I. Pension Benefits

Sections 1 to 6 of this bill increase the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), for Public Employees' Retirement System (PERS), and for the Defined Contribution Retirement Program (DCRP) from 5% of annual compensation to 5.5% of annual compensation. For State employees, teachers and other school district employees currently enrolled in these systems, the increase will be effective with the next payroll period that begins immediately after July 1, 2007. For employers of the Judicial Branch of State government, the University of Medicine and Dentistry, and counties and municipalities, the increase will be effective July 1, 2008.

Sections 7 and 8 of this bill change the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members of the systems on or after July 1, 2007. While such a new member who accrues 25 or more years of service will be able to retire before the service retirement age of 60, the member's retirement allowance will be reduced by 1% per year for each year (1/12 of 1% per month) the member lacks of being age 60 but over age 55 and by 3% per year for each year (1/4 of 1% per month) the member lacks of being age 55. Currently, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55, but the member's retirement allowance is reduced by 3% per year for each year (1/4 of 1% per month) the member lacks of being age 55.

Sections 9 to 18 of this bill impose a maximum compensation upon which contributions will be made for TPAF and PERS purposes for teachers and public employees who become members of those systems on or after July 1, 2007. The maximum amount will be the amount of base or the contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the federal Insurance

Contributions Act. For 2007, that amount is \$97,500. A new member for whom this annual maximum will be reached in any year will become a participant of the newly created Defined Contribution Retirement Program, unless the member irrevocably elects to waive the participation. For the amount of compensation over the maximum compensation, 5.5% will be deducted as a contribution for the purposes of the program. When a TPAF or PERS member also becomes a participant in the Defined Contribution Program, the life insurance and disability benefit provisions of that program will be available for that participant.

The provisions of this bill concerning “early retirement” and maximum compensation will apply to teachers and public employees who become members of the TPAF or PERS on or after July 1, 2007. This will not apply to a person who at the time of enrollment in one of these systems on or after July 1, 2007 transfers service credit from another State-administered retirement system, but will apply to a former member of one of these systems who has been granted a retirement allowance and is reenrolled in the retirement system on or after July 1, 2007 after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

## II. Health Care Benefits

In addition, the bill amends the State Health Benefits Program (SHBP) statutes to reflect changes to the program to be implemented as the result of binding collective negotiations agreements between the Executive branch and collective bargaining units representing State employees. There are two basic changes: (1) the creation of, and grant of authority, to the State Health Benefits Commission to contract for the administration of, preferred provider organizations (PPOs) and (2) the establishment of an employee contribution of 1.5% of the employee’s base salary toward the cost of whatever type of SHBP coverage the employee has chosen. A PPO is a network of health care providers from whom an enrollee may obtain services without a gatekeeper physician for a co-payment fee, with services outside of the network being more expensive. Over a period of time as collective negotiations occur with additional employee groups, the PPOs will cover an increasing number of active employees and retirees in place of the traditional plan and NJ PLUS. SHBP will continue to offer health care benefits through health maintenance organizations (HMOs).

Reflecting discussions with the New Jersey Education Association, the bill also establishes a School Employees’ Health Benefits Program (SEHBP) through the School Employees’ Health Benefits Act. The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees’ Health Benefits Commission.

Section 19 adds a new definition of a “successor plan” to identify a PPO plan that replaces the traditional plan. The definitions of “employee” and “dependents” are updated to reflect coverage of intermittent employees and partners of a civil union.

Section 20 provides that, upon the creation of the SEHBP, the member of the State Health Benefits Commission representing the New Jersey Education Association will be replaced by a local employees’ representative.

Section 21 describes the structure of the new PPOs and how their benefits are to reflect the benefits of the traditional plan (e.g., maximum out-of-pocket of \$400 per individual and \$1,000 per family in-network; out-of-network charges reimbursed at 80% with out-of-pocket maximum of \$2,000 per individual, \$5,000 per family) and NJ PLUS (e.g., doctor’s office visit co-payment of \$15; out-of-network charges reimbursed at 70%). The section also recognizes that the State Health Benefits Commission may have issued a request for proposals for the administration of new plans not including the traditional plan.

Section 22 implements the 1.5% of base salary active employee contribution to the cost of SHBP benefits for State employees per ratified agreements and for all non-aligned State employees, as well as the contribution arrangements for retirees. The section also provides that an employee may terminate the withholding of the contribution for SHBP benefits if that employee withdraws from SHBP coverage and certifies current coverage by other health benefits.

Section 23 describes the services and benefits to be included in contracts for the new PPOs and provides for coordination between the State Health Benefits Commission and the new School Employees’ Health Benefits Commission in effectuating provisions of the School Employees’ Health Benefits Program Act, contained within this bill, which creates the new SEHBP to cover active and retired educators.

Sections 24, 25 and 26 replace references to the traditional plan or NJ PLUS with the more general references in statutes related to notification of termination of a physician contract, SHBP coverage if both husband and wife are eligible for SHBP benefits, and SHBP benefits for certain members of the National Guard.

Sections 27 through 30 amend SHBP statutes to delete references to school board participation and coverage of education employees once their health care benefits are under SEHBP.

Section 31 provides that sections 31 through 41 will be known and cited as the School Employees’ Health Benefits Program Act.

Section 32 defines terms used for the School Employees’ Health Benefits Program (SEHBP), which is anticipated to be operational July 1, 2008. Employers able to participate in SEHBP will include local and regional school districts, county vocational and special services school districts, jointure and educational services commissions, State-operated school districts, charter schools, and county colleges.

Sections 33 through 35 create and describe the responsibilities and powers of the School Employees' Health Benefits Commission, administered in the Department of the Treasury. The commission will have nine members: the State Treasurer, the Commissioner of the Department of Banking and Insurance, an appointee of the Governor, a person appointed by the Governor from New Jersey School Board Association nominations, three persons appointed by the Governor from New Jersey Education Association nominations, a person appointed by the Governor from New Jersey State AFL-CIO nominations, and a chairperson appointed by the Governor from nominations jointly submitted by at least six of the other eight members of the commission. The Director of the Division of Pensions and Benefits will serve as secretary.

Sections 36 and 39 describe the benefits, services and payment obligations of the SEHBP, which will include a PPO that is a successor plan to the traditional plan, a PPO similar to NJ PLUS and HMOs, with prescription drug benefits provided through the School Employee Prescription Drug Plan or a free-standing employer prescription drug plan or the prescription drug part of a SEHBP plan. Prescription drug benefits for retirees will be provided through the School Retiree Prescription Drug Plan.

Section 40 requires of the School Employees' Health Benefits Commission certain annual reports, periodic audits and review of program costs.

Section 41 provides that the provisions of the SHBP statutes will continue to be applicable to SEHBP, except as expressly stated to the contrary in the School Employees' Health Benefits Program Act.

Sections 42 through 49 amend and supplement existing law to reflect implementation of the School Employees' Health Benefits Program and other changes to healthcare benefits.

#### COMMITTEE AMENDMENTS:

##### Pension Benefits

The amendment changes the new provision in section 2 of the bill that provides for the increased employee contribution to the Public Employees' Retirement System (PERS) (from 5% to 5.5%) so that the increase begins July 1, 2007 for all new members, and with the payroll period that begins after July 1, 2007 for current members, who are:

employees of the State, other than employees of the Judicial Branch;

employees of an independent State authority, board, commission, corporation, agency or organization;

employees of a local school district, regional school district, county vocational school district, county special services school district, jointure commission, educational services commission, State-operated school district, charter school, county college, any officer, board, or commission under the authority of the Commissioner of

Education or of the State Board of Education, and any other public entity which is established pursuant to authority provided by Title 18A of the New Jersey Statutes; or

employees of a State public institution of higher education, other than UMDNJ.

The increase in the employee contribution rate for all other members of the PERS will be effective July 1, 2008.

The amendment changes the new provision in section 12 of the bill that permits certain persons to irrevocably waive participation in the Defined Contribution Retirement Program. The persons specified are those members of the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System for whom compensation is defined as the amount of base or contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the federal Insurance Contributions Act, for contribution and benefit purposes in either of those retirement systems, for whom participation in the Defined Contribution Retirement Program is with regard to any excess over the maximum compensation only. The amendment permits such a person to waive participation when first eligible, but permits the person to elect to participate at a later time, with such election effective on the January 1 following a participation request.

#### Health Care Benefits

The amendment changes the new provision in section 21 of the bill that describes contract requirements for contracts that the State Health Benefits Commission enters into after June 30, 2007 so that the description includes "one or more health maintenance organizations plans", as well as the already specified successor plan and State managed care plan.

The amendment changes the new provision in section 22 of the bill that provides for a contribution, as a share in the cost of health care benefits, by State retirees who attain 25 or more years of service, and who retire, on or after July 1, 2007 so that the contribution will not be effective until the New Jersey Retirees' Wellness Program is open for enrollment. Thereafter, the contribution will be waived for a retiree who participates in the wellness program. The Division of Pension and Benefits will submit a report on the wellness program, including savings realized as a result of the program, within three years of the program's implementation or by December 2010, whichever is earlier.

The amendment changes the new provision in section 23 of the bill to require that a contract purchased by the State Health Benefits Commission after June 30, 2007 include coverage for services and benefits equal to or exceeding the level of services and benefits listed in the subsection that is amended by this amendment.

The amendments to sections 48 and 49 of the bill are technical corrections.

### State Investment Council Provisions

The amendment adds two new sections (50 and 51) to the bill.

The amendment in section 50 of the bill changes the membership of the State Investment Council from 11 to 13 members, with the addition of one member to be appointed by the Governor from among three persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO to serve for a term of three years, and one member to be appointed by the Governor from among three persons nominated by the New Jersey Education Association (NJEA) to serve for a term of three years. If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

The number of appointments made by the Governor with the advice and consent of the Senate is increased from five to six.

The four members designated from the Board of Trustees of the Public Employees' Retirement System, the Board of Trustees of the State Police Retirement System, the Board of Trustees of the Teachers' Pension and Annuity Fund, and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey is changed to four members elected by the boards from the active members of their respective retirement systems or from the retirees of those systems who are receiving a retirement allowance. The term of these members is increased from one to three years. The member from the Consolidated Police and Firemen's Pension Fund Commission is eliminated.

The two members appointed from the persons nominated by the AFL-CIO and the NJEA will be qualified by training, experience or long-term interest in the direct management, analysis, supervision, or investment of assets. This training, experience or long-term interest is to have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields. At least five of the seven members appointed by the Governor with the advice and consent of the Senate and from persons nominated by the General Assembly Speaker or Senate President will be qualified by training and experience in the direct management, analysis, supervision or investment of assets, provided that this training and experience has been acquired through academic training or through actual employment in those fields.

The terms of the members of the council serving on the 30th day after the bill takes effect, other than the five members appointed by the Governor with the advice and consent of the Senate to serve for terms of five years and the one member appointed by the Governor from persons nominated jointly by the President of the Senate and the Speaker of the General Assembly to serve for a term of five years, are terminated.

The amendment in section 51 of the bill requires the members of the State Investment Council to file the same annual financial disclosure statements as those required to be filed by members of other State boards and commissions who are not compensated for their services, as required by law or executive order of the Governor. The financial disclosure statements of council members will be made available to the public in the same manner as the statements of members of other State boards and commissions are made available to the public.

The amendment requires the council to issue a report by March 1 of each year, in addition to the reports already required by law, on the investment activities for the prior calendar year, to include a summary for each financial product of the current investment policies and strategies of the council and those in effect during the prior calendar year, a detailed summary for each financial product of the amount invested, whether the investments were made by employees of the Division of Investment or by external managers, performance benchmarks, and actual performance during the calendar year. The report is to be submitted to the Governor, the Legislature, and the State Treasurer, and made available to the public through the official Internet site of the State.

The council is required to hold an open public meeting each year, and accept comments from the public at such a meeting. The matters that will be open to discussion and public comment during this annual meeting will include the investment policies and strategies of the council, the investment activities of the council, the financial disclosure statements filed by council members, and the certification of contributions filed by external managers, as well as other appropriate matters concerning the operations, activities and reports of the council.

Finally, the amendment requires an external manager to file a certification before being retained and annually thereafter that discloses the political contributions made during the 12 months preceding the certification by the manager or the manager's firm, or a political committee in which the manager or firm was active. The certification must specify the political contributions made to candidates for the elective public office in this State and any political committee established for the support of such candidate, and contributions made for the transition and inaugural expenses of any candidate who is elected to public office. As used here, "contribution" and "political committee" will have the meaning set forth in "The New Jersey Campaign Contributions and Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et seq.).

FISCAL IMPACT:

As amended, this bill would increase the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), for specified members of the Public Employees' Retirement System (PERS), and for the Defined Contribution Retirement Program (DCRP) from five percent of annual compensation to five and one-half percent of annual compensation. For State and education employees, currently enrolled in these systems, the increase will be effective with the next payroll period that begins immediately after July 1, 2007. County and municipal employees, which account for approximately 44 percent of all local government PERS members, will contribute the additional one-half of one percent of annual compensation beginning July 1, 2008. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services' FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, the estimated increase in annual employee contributions for the first year would total approximately \$101.3 million:

PERS-State	\$22.8 million
PERS	\$33.7 million
<u>TPAF</u>	<u>\$44.8 million.</u>
Total	\$101.3 million

However, the bill, as amended, would defer the judicial, county and municipal employee additional contribution of one-half of one percent until July 1, 2008. As a result, the estimated fiscal impact of this bill in the first year would be \$84.1 million.

PERS-less Judicial Branch members	\$20.4 million
PERS-Local less county and municipal members	\$18.9 million
<u>TPAF</u>	<u>\$44.8 million.</u>
Total	\$84.1 million

It should be noted, however, that this estimate does not include a reduction for employees of UMDNJ for which the increase is also delayed to July 1, 2008.

Under current law, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55, but the member's retirement allowance is reduced by three percent per year for each year (1/4 of one percent per month) the member lacks of being age 55. This bill would change the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members of the systems on or after July 1, 2007. While such a new member who accrues 25 or more years of service will be able to retire before the service retirement age of 60, the member's retirement allowance would be reduced by one percent per year for each year (1/12 of one percent per month) the member lacks of being age 60 but



over age 55 and by three percent per year for each year (1/4 of one percent per month) the member lacks of being age 55. This provision would produce future pension savings. However, at this time, the number of employees who would enter the specified retirement systems on or after July 1, 2007, the number of those employees who would remain in the system long enough to earn meaningful retirement benefits and finally, the number of employees who would elect the "early retirement" options cannot be determined to provide an estimate.

This bill would impose a maximum on compensation for pension contributions for TPAF and PERS members who enter the pension system on or after July 1, 2007. The maximum compensation allowable for contribution in TPAF and PERS would be equivalent to the annual maximum wage contribution base for Social Security as specified. For 2007, that amount is \$97,500. A new member for whom this annual maximum is achieved in any year would become a participant of the newly created Defined Contribution Retirement Program (DCRP). For any amounts earned over the Social Security cap, employee contributions of five and one-half percent would be contributed to the DCRP, unless the participant elects to waive participation, as permitted. The savings associated with this provision are not able to be determined at this time. This is because the factors, i.e., the number of employees who would earn \$97,500 or more beginning July 1, 2007, the inflation rate, the growth in salaries over time, and the increase in the Social Security annual maximum wage contribution, that would be used to estimate the savings are either unknown or dynamic.

In addition, this bill would amend the State Health Benefits Program (SHBP). Specifically, the bill would create and grant authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs) without a Traditional Plan component. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, while there are savings associated with the elimination of the Traditional Plan for State employees and the elimination of the gatekeeper in NJ PLUS, which has a much larger State employee enrollment, there are expected offsetting costs. For State employees, most of the medical plan cost savings known at this time will come from other plan changes (such as increases in office visit and emergency room co-pays). The primary source of State savings is, therefore, attributable to negotiated increases in office visit and prescription drug co-pays and employee premium-share.

Under the plan to amend the State Health Benefits Program, the bill would establish a State employee contribution of one and one-half percent of the employee's base salary toward the cost of the employee's chosen health coverage. The Department of Treasury

estimates that the value of the one and one-half percent employee contribution for health coverage for all State employees including colleges and universities is approximately \$91 million for FY 2008. The current premium-sharing agreement produces approximately \$33 million, for a net savings of \$58 million under the new cost-sharing scenario. However, as amended, the bill would waive the one and one-half percent health benefits contribution for specified retirees who retire on or after July 1, 2007 and who enroll in a New Jersey Retirees' Wellness Program that is yet to be established. At this time, an estimate of the impact of waiving retirees' contributions cannot be made because the wellness program has not yet been established.

**FISCAL ESTIMATE**  
 [First Reprint]  
**ASSEMBLY, No. 5005**  
**STATE OF NEW JERSEY**  
**212th LEGISLATURE**

DATED: JULY 9, 2007

**SUMMARY**

**Synopsis:** Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age; implements changes to SHBP and transfer of education employees to School Employees' Health Benefits Program; modifies State Investment Council.

**Type of Impact:** Potential State and Local Government Expenditure Decrease.

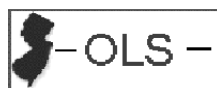
**Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits; Local Governments; School Districts.

**Office of Legislative Services Estimate**

<b>Fiscal Impact*</b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>
<b>PERS/TPAF</b>			
<b>Contributions</b>	\$84,100,000	104,300,000	107,951,000
<b>State Revenue</b>	\$58,000,000	59,740,000	61,831,000

\* The FY 2009 and 2010 figures have been calculated assuming salary increases of 3 percent in FY 2009 and 3.5 percent in FY 2010. Changes in employment levels are not able to be determined at this time. As a result, these figures have not been adjusted to reflect those changes.

- Increases from 5 to 5.5 percent the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Defined Contribution Retirement Program (DCRP).
- Revises the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members on or after July 1, 2007.
- Imposes a cap on compensation for contributions and benefits in TPAF and PERS that is pegged to the annual maximum wage contribution base for Social Security for teachers and public employees who become members of PERS and TPAF on or after July 1, 2007.
- Establishes a State employee contribution, for employees not represented by unions, of 1.5 percent of the employee's base salary toward the cost of the employee's chosen health



coverage under the State Health Benefits Program (SHBP) beginning July 1, 2007; provides for a contribution from all other State employees as determined in collective negotiations agreements.

- Grants authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), with certain benefit levels, without a Traditional Plan component.
- Creates a School Employees' Health Benefits Program for educational employees, with certain benefit levels, with a new commission to operate the program.

### **BILL DESCRIPTION**

Assembly Bill No. 5005 (1R) of 2007 increases from 5 to 5.5 percent the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Defined Contribution Retirement Program (DCRP) beginning July 1, 2007. However, it defers the increase for county, municipal, judicial, and UMDNJ employees until July 1, 2008.

Under current law, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55. However, if a member retires before turning 55, the retirement allowance is reduced by 3 percent per year for each year prior to turning 55 years of age. This bill reduces retirement allowances under the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members on or after July 1, 2007. For these employees who retire with 25 years or more of service, the member's retirement allowance will be reduced by 1 percent for each year prior to turning 60 and by 3 percent per year for each year prior to turning 55 years of age.

Under current law, base salary is used for members of PERS and TPAF to determine contributions and benefits. This bill imposes a cap on base salary pegged to the annual maximum wage contribution base for Social Security, and requires that for amounts earned above the Social Security annual maximum wage contribution, a person will be eligible for membership in the DCRP with regard to the portion of the salary over the maximum.

This bill requires a State employee contribution of 1.5 percent of the employee's base salary, or of a monthly retirement allowance for certain retired State employees, toward the cost of the chosen health coverage under SHBP for employees who are not represented by unions. For all other State employees, and county, municipal, and school district employees, the contribution will be determined by collective negotiations agreements. For State retirees, the contribution will not take effect until a Retirees' Wellness Program is created by the SHBP and the contribution will be waived for retirees who participate in the program.

This bill amends the SHBP statutes to remove the requirement for a Traditional Plan for healthcare contracts purchased after June 30, 2007 and to reflect changes to the program to be implemented as the result of certain collective bargaining agreements, and discussions with representatives of public school teachers. Specifically, the bill grants authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), with certain benefit levels, without a Traditional Plan component. A PPO is a network of health care providers from whom an enrollee may obtain services without a gatekeeper physician for a co-payment fee, with services outside of the network being more expensive.

The bill also provides for the creation of a School Employees' Health Benefits Program, with certain benefit levels, to be operated by a new commission.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

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

This bill increases the member contribution rate for TPAF, PERS, and DCRP from 5 to 5.5 percent of annual compensation. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services' FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, the estimated increase in annual employee contributions for the first year, for PERS and TPAF system members, would total approximately \$101.3 million:

PERS-State	\$22.8 million
PERS-Local	\$33.7 million
<u>TPAF</u>	<u>\$44.8 million</u>
Total	\$101.3 million

However, the bill defers the judicial, county, and municipal employee additional contribution until July 1, 2008. As a result, the estimated increase in annual employee contributions in the first year would total approximately \$84.1 million.

PERS-State, less Judicial Branch employees	\$20.4 million
PERS-Local, less county, municipal employees	\$18.9 million
<u>TPAF</u>	<u>\$44.8 million</u>
Total	\$84.1 million

It should be noted, however, that this estimate does not include a reduction for employees of UMDNJ for whom the increase is also delayed to July 1, 2008.

This bill changes the "early retirement" provisions of the TPAF and PERS for retirement eligible teachers and public employees who become members of the systems on or after July 1, 2007. This provision would produce future pension savings. However, at this time, the number of employees who would enter the specified retirement systems on or after July 1, 2007, the number of those employees who would remain in the system long enough to earn meaningful retirement benefits and, finally, the number of employees who would elect the "early retirement" options cannot be determined to provide an estimate.

This bill imposes a maximum on compensation for pension contributions and benefits for TPAF and PERS members who enter the pension system on or after July 1, 2007 based on the annual maximum wage contribution base for Social Security. For 2007, that amount is \$97,500. For any amounts earned over the Social Security cap, the employee will participate in the DCRP, unless the participant elects to waive participation, as permitted. The savings associated with this provision are not able to be determined at this time. This is because the factors, i.e., the number of employees who would earn \$97,500 or more beginning July 1, 2007, the inflation

rate, the growth in salaries over time, and the increase in the Social Security annual maximum wage contribution, that would be used to estimate the savings are either unknown or dynamic.

In addition, this bill amends the SHBP. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, while there are savings associated with the elimination of the Traditional Plan for State employees and the elimination of the gatekeeper in NJ PLUS, which has a much larger State employee enrollment, there are expected offsetting costs. For State employees, most of the medical plan cost savings known at this time will come from other plan changes (such as increases in office visit and emergency room co-pays). The primary source of State savings is, therefore, attributable to negotiated increases in office visit and prescription drug co-pays and employee cost sharing.

Under the plan to amend the SHBP, the bill establishes a State employee and State retiree, contribution of 1.5 percent of the employee's base salary toward the cost of the employee's chosen health coverage. The Department of Treasury estimates that the value of the 1.5 percent employee contribution for healthcare coverage for all State employees, including colleges and universities, is approximately \$91 million for FY 2008. The current premium-sharing agreement produces approximately \$33 million, for a net savings of \$58 million under the new cost-sharing scenario. The bill waives the 1.5 percent health benefits contribution for specified retirees who retire on or after July 1, 2007 and who enroll in a New Jersey Retiree's Wellness Program that is yet to be established. At this time, an estimate of the impact of waiving retirees' contributions cannot be made because the wellness program has not yet been established.

*Section: State Government*

*Analyst: Kimberly McCord  
Associate Fiscal Analyst*

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

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

# SENATE, No. 3004

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JUNE 14, 2007

**Sponsored by:**

**Senator NICHOLAS P. SCUTARI**

**District 22 (Middlesex, Somerset and Union)**

**SYNOPSIS**

Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age; implements SHBP transition to preferred provider plans and transfer of educational employees to School Employees' Health Benefits Program.

**CURRENT VERSION OF TEXT**

As introduced.



S3004 SCUTARI

2

1 AN ACT concerning the Public Employees' Retirement System of  
2 New Jersey, the Teachers' Pension and Annuity Fund, the  
3 Defined Contribution Retirement Program, and the State Health  
4 Benefits Program, revising various parts of the statutory law and  
5 supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).  
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:  
9

10 1. N.J.S.18A:66-29 is amended to read as follows:

11 18A:66-29. Members enrolled in the retirement system on or  
12 after July 1, 1994 shall contribute 5% of compensation to the  
13 system. Members enrolled in the system prior to July 1, 1994 shall  
14 contribute 5% of compensation to the system effective with the  
15 payroll period for which the beginning date is closest to July 1,  
16 1995, provided, however, that any member enrolled before July 1,  
17 1994, whose full contribution rate under the system prior to the  
18 revisions by this act was less than 6%, shall pay 4% of  
19 compensation to the system effective with the payroll period for  
20 which the beginning date is closest to July 1, 1995, and 5% of  
21 compensation to the system effective with the payroll period for  
22 which the beginning date is closest to July 1, 1996.

23 Members enrolled in the retirement system on or after July 1,  
24 2007 shall contribute 5.5% of compensation to the system.  
25 Members enrolled in the system prior to July 1, 2007 shall  
26 contribute 5.5% of compensation to the system effective with the  
27 payroll period for which the beginning date is closest to July 1,  
28 2007.

29 (cf: P.L.1994, c.62, s.4)  
30

31 2. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to  
32 read as follows:

33 25. The annuity savings fund shall be the fund in which shall be  
34 credited accumulated deductions and contributions by members or  
35 on their behalf to provide for their allowances. A single account  
36 shall be established in this fund for each person who is or shall  
37 become a member and all contributions deducted from each such  
38 member's compensation shall be credited to his account regardless  
39 of the number of positions a member might hold or the number of  
40 employers as he might have.

41 Members enrolled in the retirement system on or after July 1,  
42 1994 shall contribute 5% of compensation to the system. Members  
43 enrolled in the system prior to July 1, 1994 shall contribute 5% of  
44 compensation to the system effective with the payroll period for  
45 which the beginning date is closest to July 1, 1995, provided,

**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.



S3004 SCUTARI

1 however, that any member enrolled before July 1, 1994, whose full  
2 contribution rate under the system prior to the revisions by this act  
3 was less than 6%, shall pay 4% of compensation to the system  
4 effective with the payroll period for which the beginning date is  
5 closest to July 1, 1995, and 5% of compensation to the system  
6 effective with the payroll period for which the beginning date is  
7 closest to July 1, 1996.

8 Members enrolled in the retirement system on or after July 1,  
9 2007 shall contribute 5.5% of compensation to the system.  
10 Members enrolled in the system prior to July 1, 2007 shall  
11 contribute 5.5% of compensation to the system effective with the  
12 payroll period for which the beginning date is closest to July 1,  
13 2007.

14 The retirement system shall certify to each State department or  
15 subdivision thereof, and to each branch of the State service not  
16 included in a State department, and to every other employer, the  
17 proportion of each member's compensation to be deducted and to  
18 facilitate the making of deductions the retirement system may  
19 modify the deduction required by a member by such an amount as  
20 shall not exceed 1/10 of 1% of the compensation upon the basis of  
21 which the deduction is to be made.

22 If payment in full, representing the monthly or biweekly  
23 transmittal and report of salary deductions, is not made within 15  
24 days of the due date established by the retirement system, interest at  
25 the rate of 6% per annum shall commence to run against the total  
26 transmittal of salary deductions for the period on the first day after  
27 such fifteenth day.

28 Every employee to whom this act applies shall be deemed to  
29 consent and agree to any deduction from his compensation required  
30 by this act and to all other provisions of this act. Notwithstanding  
31 any other law, rule or regulation affecting the salary, pay,  
32 compensation, other perquisites, or tenure of a person to whom this  
33 act applies, or shall apply, and notwithstanding that the minimum  
34 salary, pay, or compensation or other perquisites provided by law  
35 for him shall be reduced thereby, payment, less such deductions,  
36 shall be a full and complete discharge and acquittance of all claims  
37 and demands for service rendered by him during the period covered  
38 by such payment.

39 (cf: P.L.1994, c.62, s.9)

40

41 3. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to  
42 read as follows:

43 2. Notwithstanding the provisions of P.L.1954, c.84, s. 25  
44 (C.43:15A-25), (a) a separate account shall be established in the  
45 annuity savings fund for each member of the Legislature and all  
46 contributions based on legislative salaries shall be credited to this  
47 account as distinguished from any other account that the legislator  
48 may have as a result of other public service covered by the

S3004 SCUTARI

1 retirement system; and (b) the member of the Legislature shall  
2 contribute at a rate equal to 5% of his legislative salary, which  
3 contribution shall be deducted from his salary at the time or times  
4 it is paid, and which shall be exclusive of any other contribution  
5 required of the member for Social Security, contributory death  
6 benefits or deductions for any other purpose. The contribution rate  
7 shall be 5.5% of the member's legislative salary beginning July 1,  
8 2007.

9 A member of the Legislature who is enrolled on the basis of  
10 other public service before, during, or after his service as a member  
11 of the Legislature shall contribute for such other service at the rate  
12 of contribution required of other members as provided by section  
13 25.

14 (cf: P.L.1972, c.167, s.2)

15

16 4. Section 3 of P.L.1972, c.167 (C.43:15A-137) is amended to  
17 read as follows:

18 3. Notwithstanding any other law regarding the purchase of  
19 service credit in the retirement system, a member of the Legislature  
20 may purchase credit for all previous legislative service by paying  
21 into the annuity savings fund 5%, and 5.5% after July 1, 2007, of  
22 the salaries he received in such prior periods, in which event he  
23 shall agree to make such purchase within 1 year after the effective  
24 date of this supplementary act or during the first year of  
25 membership as a member of the Legislature; if the request for the  
26 purchase is received beyond the 1-year period, interest shall be  
27 added to the amount of the arrearage obligation at the regular  
28 interest rate. The purchase of such credit may be by lump sum or in  
29 regular installments over a maximum period of 10 years.

30 In the case of any member of the Legislature coming under the  
31 provisions of this section, full pension credit for the period of  
32 service for which arrears are being paid by the member shall be  
33 given upon the payment of at least 1/2 of the total arrearage  
34 obligation and the completion of 1 year of membership and the  
35 making of such arrears payments, except that in the case of  
36 retirement pursuant to P.L.1954, c. 84, sections 38, 41(b), 48 and 61  
37 and to the provisions of this supplementary act, the total  
38 membership credit for such service shall be in direct proportion as  
39 the amount paid bears to the total amount of the arrearage  
40 obligation of the member.

41 The contributions of all members of the Legislature related to  
42 their legislative service shall be adjusted for all years prior to the  
43 effective date of this supplementary act to determine either an  
44 overpayment or shortage in the separate account, requiring the  
45 payment of contributions at the percentage of salary provided for in  
46 this section. Overpayments shall be refunded and shortages shall  
47 be established as arrearage obligations to be satisfied in the same

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1 manner as any other arrearage obligation established pursuant to  
2 this section.

3 No member shall receive credit for any legislative service for  
4 which he has not contributed as required by this section.

5 (cf: P.L.1972, c.167, s.3)

6

7 5. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to  
8 read as follows:

9 3. a. Notwithstanding the provisions of section 25 of P.L.1954,  
10 c.84 (C.43:15A-25) to the contrary, a separate account shall be  
11 established in the annuity savings fund for each workers  
12 compensation judge and all contributions based on the judge's  
13 salary shall be credited to this account. This account shall be  
14 separate from any other account that the member may have as a  
15 result of other public service covered by the retirement system.

16 b. A workers compensation judge shall contribute at a rate  
17 equal to 5% of the judge's salary, which contribution shall be  
18 deducted from the salary at the time or times it is paid, and which  
19 shall be exclusive of any other contribution required of the member  
20 for Social Security, contributory death benefits or deductions for  
21 any other purpose. The contribution rate shall be 5.5% of the  
22 judge's salary effective with the payroll period for which the  
23 beginning date is closest to July 1, 2007.

24 c. A workers compensation judge who is enrolled on the basis  
25 of other public service before, during, or after service as a judge of  
26 compensation shall contribute for such other service at the rate of  
27 contribution required of other members as provided by section 25.

28 (cf: P.L.2001, c.259, s.3)

29

30 6. Section 3 of P.L.2007, c.92 (C.43:15C-3) is amended to read  
31 as follows:

32 3. a. The employer shall reduce the compensation of each  
33 participant in the Defined Contribution Retirement Program and pay  
34 over to the plan provider for the benefit of the participant an  
35 employee contribution for the retirement benefit contract or  
36 contracts equal to **【5%】** 5.5% of the participant's base salary. At  
37 the option and request of a participant, the employer shall reduce  
38 the compensation of the participant for additional contributions as  
39 permitted by the federal Internal Revenue Code. The intervals for  
40 reductions and payments shall be determined by the Division of  
41 Pensions and Benefits.

42 All participant contributions shall be made in accordance with  
43 section 414(h) of the federal Internal Revenue Code (26 U.S.C.  
44 s.414(h)).

45 b. The employer shall make payment of the employer  
46 contributions to the program at a rate equal to 3% of the employee's  
47 base salary, which moneys shall be paid to the designated provider  
48 for the benefit of each participant. Additionally, employers shall

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1 pay their share of the administrative costs of the program. The  
2 intervals for all payments and the allocation of administrative costs  
3 shall be determined by the Division of Pensions and Benefits  
4 including due dates and penalties for non compliance.

5 c. No employer contributions shall be vested in a participant  
6 until after the participant commences the second year of  
7 employment unless the participant, at the time of initial  
8 employment, either (1) participates in a program substantially  
9 similar to the retirement program, or (2) is a member of another  
10 State-administered pension fund or retirement system.

11 (cf: P.L.2007, c.92, s.3)

12

13 7. N.J.S.18A:66-37 is amended to read as follows:

14 18A:66-37. Should a member resign after having established 25  
15 years of creditable service before reaching age 60, **[he]** the member  
16 may elect "early retirement," provided, that such election is  
17 communicated by such member to the retirement system by filing a  
18 written application, duly attested, stating at what time subsequent to  
19 the execution and filing thereof **[he]** the member desires to be  
20 retired. **[He]** The member shall receive, in lieu of the payment  
21 provided in N.J.S.18A:66-34, an annuity which is the actuarial  
22 equivalent of **[his]** the member's accumulated deductions and a  
23 pension in the amount which, when added to the member's annuity,  
24 will provide a total retirement allowance of 1/64 of **[his]** the  
25 member's final compensation for each year of service credited as  
26 class A service and 1/55 of **[his]** the member's final compensation  
27 for each year of service credited as class B service, calculated in  
28 accordance with N.J.S.18A:66-44, reduced:

29 (a) by 1/4 of 1% for each month that the member lacks of being  
30 age 55; or

31 (b) for a person who becomes a member of the retirement system  
32 on or after July 1, 2007, by 1/4 of 1% for each month that the  
33 member lacks of being age 55 and by 1/12 of 1% for each month  
34 that the member lacks of being age 60 but over age 55; provided,  
35 however, that upon the receipt of proper proofs of the death of such  
36 a member there shall be paid to **[his]** the member's beneficiary an  
37 amount equal to 3/16 of the compensation upon which contributions  
38 by the member to the annuity savings fund were based in the last  
39 year of creditable service or in the year of the member's highest  
40 contractual salary, whichever is higher.

41 Subparagraph (b) of this section shall not apply to a person who  
42 at the time of enrollment in the retirement system on or after July 1,  
43 2007 transfers service credit from another State-administered  
44 retirement system pursuant to N.J.S.18A:66-15.1, but shall apply to  
45 a former member of the retirement system who has been granted a  
46 retirement allowance and is reenrolled in the retirement system on  
47 or after July 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming

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1 employed again in a position that makes the person eligible to be a  
2 member of the retirement system.

3 The board of trustees shall retire him at the time specified or at  
4 such other time within one month after the date so specified as the  
5 board finds advisable.

6 (cf: P.L.2001, c.133, s.5)

7

8 8. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to  
9 read as follows:

10 41. a. A member who withdraws from service or ceases to be an  
11 employee for any cause other than death or retirement shall, upon  
12 the filing of an application therefor, receive all of his accumulated  
13 deductions standing to the credit of his individual account in the  
14 annuity savings fund, plus regular interest, less any outstanding  
15 loan, except that for any period after June 30, 1944, the interest  
16 payable shall be such proportion of the interest determined at the  
17 regular rate of 2% per annum bears to the regular rate of interest,  
18 and except that no interest shall be payable in the case of a member  
19 who has less than three years of membership credit for which he has  
20 made contributions. He shall cease to be a member two years from  
21 the date he discontinued service as an eligible employee, or, if prior  
22 thereto, upon payment to him of his accumulated deductions. If any  
23 such person or member shall die before withdrawing or before  
24 endorsing the check constituting the return of his accumulated  
25 deductions, such deductions shall be paid to the member's  
26 beneficiary. No member shall be entitled to withdraw the amounts  
27 contributed by his employer covering his military leave unless he  
28 shall have returned to the payroll and contributed to the retirement  
29 system for a period of 90 days.

30 b. Should a member resign after having established 25 years of  
31 creditable service before reaching age 60, he may elect "early  
32 retirement," provided, that such election is communicated by such  
33 member to the retirement system by filing a written application,  
34 duly attested, stating at what time subsequent to the execution and  
35 filing thereof he desires to be retired. He shall receive, in lieu of  
36 the payment provided in subsection a. of this section, an annuity  
37 which is the actuarial equivalent of his accumulated deductions  
38 together with regular interest, and a pension in the amount which,  
39 when added to the member's annuity, will provide a total retirement  
40 allowance of 1/64 of his final compensation for each year of service  
41 credited as Class A service and 1/55 of his final compensation for  
42 each year of service credited as Class B service, calculated in  
43 accordance with section 48 (C. 43:15A-48) of this act, reduced:

44 (a) by 1/4 of 1% for each month that the member lacks of being  
45 age 55; or

46 (b) for a person who becomes a member of the retirement system  
47 on or after July 1, 2007, by 1/4 of 1% for each month that the  
48 member lacks of being age 55 and by 1/12 of 1% for each month

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1 that the member lacks of being age 60 but over age 55; provided,  
2 however, that upon the receipt of proper proofs of the death of such  
3 a member there shall be paid to his beneficiary an amount equal to  
4 three-sixteenths of the compensation upon which contributions by  
5 the member to the annuity savings fund were based in the last year  
6 of creditable service.

7 Paragraph (b) of this subsection shall not apply to a person who  
8 at the time of enrollment in the retirement system on or after July 1,  
9 2007 transfers service credit from another State-administered  
10 retirement system pursuant to section 14 of P.L.1954, c.84  
11 (C.43:15A-14), but shall apply to a former member of the  
12 retirement system who has been granted a retirement allowance and  
13 is reenrolled in the retirement system on or after July 1, 2007  
14 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after  
15 becoming employed again in a position that makes the person  
16 eligible to be a member of the retirement system.

17 The board of trustees shall retire him at the time specified or at  
18 such other time within one month after the date so specified as the  
19 board finds advisable.

20 c. Upon the receipt of proper proofs of the death of a member  
21 in service on account of which no accidental death benefit is  
22 payable under section 49 there shall be paid to such member's  
23 beneficiary:

24 (1) The member's accumulated deductions at the time of death  
25 together with regular interest; and

26 (2) An amount equal to one and one-half times the  
27 compensation upon which contributions by the member to the  
28 annuity savings fund were based in the last year of creditable  
29 service.

30 (cf: P.L.2001, c.133, s.12)

31

32 9. N.J.S.18A:66-2 is amended to read as follows:

33 18A:66-2. As used in this article:

34 a. "Accumulated deductions" means the sum of all the  
35 amounts, deducted from the compensation of a member or  
36 contributed by or in behalf of the member, including interest  
37 credited to January 1, 1956, standing to the credit of the member's  
38 individual account in the annuity savings fund.

39 b. "Annuity" means payments for life derived from the  
40 accumulated deductions of a member as provided in this article.

41 c. "Beneficiary" means any person receiving a retirement  
42 allowance or other benefit as provided in this article.

43 d. (1) "Compensation" means the contractual salary, for  
44 services as a teacher as defined in this article, which is in  
45 accordance with established salary policies of the member's  
46 employer for all employees in the same position but shall not  
47 include individual salary adjustments which are granted primarily in  
48 anticipation of the member's retirement or additional remuneration

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1 for performing temporary or extracurricular duties beyond the  
2 regular school day or the regular school year.

3 (2) In the case of a person who becomes a member of the  
4 retirement system on or after July 1, 2007, "compensation" means  
5 the amount of the contractual salary equivalent to the annual  
6 maximum wage contribution base for Social Security, pursuant to  
7 the federal Insurance Contributions Act, for services as a teacher as  
8 defined in this article, which is in accordance with established  
9 salary policies of the member's employer for all employees in the  
10 same position but shall not include individual salary adjustments  
11 which are granted primarily in anticipation of the member's  
12 retirement or additional remuneration for performing temporary or  
13 extracurricular duties beyond the regular school day or the regular  
14 school year. This paragraph shall not apply to a person who at the  
15 time of enrollment in the retirement system on or after July 1, 2007  
16 transfers service credit from another State-administered retirement  
17 system pursuant to N.J.S.18A:66-15.1, but shall apply to a former  
18 member of the retirement system who has been granted a retirement  
19 allowance and is reenrolled in the retirement system on or after July  
20 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming employed  
21 again in a position that makes the person eligible to be a member of  
22 the retirement system.

23 e. "Employer" means the State, the board of education or any  
24 educational institution or agency of or within the State by which a  
25 teacher is paid.

26 f. "Final compensation" means the average annual  
27 compensation for which contributions are made for the three years  
28 of creditable service in New Jersey immediately preceding the  
29 member's retirement or death, or it shall mean the average annual  
30 compensation for New Jersey service for which contributions are  
31 made during any three fiscal years of his or her membership  
32 providing the largest possible benefit to the member or the  
33 member's beneficiary.

34 g. "Fiscal year" means any year commencing with July 1, and  
35 ending with June 30, next following.

36 h. "Pension" means payments for life derived from  
37 appropriations made by the State or employers to the Teachers'  
38 Pension and Annuity Fund.

39 i. "Annuity reserve" means the present value of all payments  
40 to be made on account of any annuity or benefit in lieu of an  
41 annuity, granted under the provisions of this article, computed on  
42 the basis of such mortality tables recommended by the actuary as  
43 the board of trustees adopts, with regular interest.

44 j. "Pension reserve" means the present value of all payments to  
45 be made on account of any pension or benefit in lieu of a pension  
46 granted to a member from the Teachers' Pension and Annuity Fund,  
47 computed on the basis of such mortality tables recommended by the  
48 actuary as the board of trustees adopts, with regular interest.

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1 k. "Present-entrant" means any member of the Teachers'  
2 Pension and Annuity Fund who had established status as a "present-  
3 entrant member" of said fund prior to January 1, 1956.

4 l. "Rate of contribution initially certified" means the rate of  
5 contribution certified by the retirement system in accordance with  
6 N.J.S.18A:66-29.

7 m. "Regular interest" shall mean interest as determined by the  
8 State Treasurer, after consultation with the Directors of the  
9 Divisions of Investment and Pensions, the board of trustees and the  
10 actuary. It shall bear a reasonable relationship to the percentage  
11 rate of earnings on investments based on the market value of assets  
12 but shall not exceed the assumed percentage rate of increase applied  
13 to salaries plus 3%, provided however that the board of trustees  
14 shall not set the average percentage rate of increase applied to  
15 salaries below 6%.

16 n. "Retirement allowance" means the pension plus the annuity.

17 o. "School service" means any service as a "teacher" as defined  
18 in this section.

19 p. "Teacher" means any regular teacher, special teacher,  
20 helping teacher, teacher clerk, principal, vice-principal, supervisor,  
21 supervising principal, director, superintendent, city superintendent,  
22 assistant city superintendent, county superintendent, State  
23 Commissioner or Assistant Commissioner of Education, members  
24 of the State Department of Education who are certificated,  
25 unclassified professional staff and other members of the teaching or  
26 professional staff of any class, public school, high school, normal  
27 school, model school, training school, vocational school, truant  
28 reformatory school, or parental school, and of any and all classes or  
29 schools within the State conducted under the order and  
30 superintendence, and wholly or partly at the expense of the State  
31 Board of Education, of a duly elected or appointed board of  
32 education, board of school directors, or board of trustees of the  
33 State or of any school district or normal school district thereof, and  
34 any persons under contract or engagement to perform one or more  
35 of these functions. It shall also mean any person who serves, while  
36 on an approved leave of absence from regular duties as a teacher, as  
37 an officer of a local, county or State labor organization which  
38 represents, or is affiliated with an organization which represents,  
39 teachers as defined in this subsection. No person shall be deemed a  
40 teacher within the meaning of this article who is a substitute  
41 teacher. In all cases of doubt the board of trustees shall determine  
42 whether any person is a teacher as defined in this article.

43 q. "Teachers' Pension and Annuity Fund," hereinafter referred  
44 to as the "retirement system" or "system," is the corporate name of  
45 the arrangement for the payment of retirement allowances and other  
46 benefits under the provisions of this article, including the several  
47 funds placed under said system. By that name all its business shall  
48 be transacted, its funds invested, warrants for money drawn, and



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1 payments made and all of its cash and securities and other property  
2 held.

3 r. "Veteran" means any honorably discharged officer, soldier,  
4 sailor, airman, marine or nurse who served in any Army, Air Force  
5 or Navy of the Allies of the United States in World War I between  
6 July 14, 1914, and November 11, 1918, or who served in any Army,  
7 Air Force or Navy of the Allies of the United States in World War  
8 II, between September 1, 1939, and September 2, 1945, and who  
9 was inducted into such service through voluntary enlistment, and  
10 was a citizen of the United States at the time of such enlistment, and  
11 who did not, during or by reason of such service, renounce or lose  
12 United States citizenship, and any officer, soldier, sailor, marine,  
13 airman, nurse or army field clerk who has served in the active  
14 military or naval service of the United States and has or shall be  
15 discharged or released therefrom under conditions other than  
16 dishonorable, in any of the following wars, uprisings, insurrections,  
17 expeditions or emergencies, and who has presented to the retirement  
18 system evidence of such record of service in form and content  
19 satisfactory to said retirement system:

20 (1) The Indian wars and uprisings during any of the periods  
21 recognized by the War Department of the United States as periods  
22 of active hostility;

23 (2) The Spanish-American War between April 20, 1898, and  
24 April 11, 1899;

25 (3) The Philippine insurrections and expeditions during the  
26 periods recognized by the War Department of the United States as  
27 of active hostility from February 4, 1899, to the end of 1913;

28 (4) The Peking relief expedition between June 20, 1900, and  
29 May 27, 1902;

30 (5) The army of Cuban occupation between July 18, 1898, and  
31 May 20, 1902;

32 (6) The army of Cuban pacification between October 6, 1906,  
33 and April 1, 1909;

34 (7) The Mexican punitive expedition between March 14, 1916,  
35 and February 7, 1917;

36 (8) The Mexican border patrol, having actually participated in  
37 engagements against Mexicans between April 12, 1911, and June  
38 16, 1919;

39 (9) World War I, between April 6, 1917, and November 11,  
40 1918;

41 (10) World War II, between September 16, 1940, and December  
42 31, 1946, who shall have served at least 90 days in such active  
43 service, exclusive of any period of assignment (1) for a course of  
44 education or training under the Army Specialized Training Program  
45 or the Navy College Training Program, which course was a  
46 continuation of a civilian course and was pursued to completion, or  
47 (2) as a cadet or midshipman at one of the service academies, any  
48 part of which 90 days was served between said dates; provided that

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1 any person receiving an actual service-incurred injury or disability  
2 shall be classed as a veteran, whether or not that person has  
3 completed the 90-day service as herein provided;

4 (11) Korean conflict on or after June 23, 1950, and on or prior to  
5 January 31, 1955, who shall have served at least 90 days in such  
6 active service, exclusive of any period of assignment (1) for a  
7 course of education or training under the Army Specialized  
8 Training Program or the Navy College Training Program, which  
9 course was a continuation of a civilian course and was pursued to  
10 completion, or (2) as a cadet or midshipman at one of the service  
11 academies, any part of which 90 days was served between said  
12 dates; provided that any person receiving an actual service-incurred  
13 injury or disability shall be classed as a veteran, whether or not that  
14 person has completed the 90-day service as herein provided; and  
15 provided further that any member classed as a veteran pursuant to  
16 this subsection prior to August 1, 1966, shall continue to be classed  
17 as a veteran, whether or not that person completed the 90-day  
18 service between said dates as herein provided;

19 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
20 Lebanon or on board any ship actively engaged in patrolling the  
21 territorial waters of that nation for a period, continuous or in the  
22 aggregate, of at least 14 days commencing on or before November  
23 1, 1958 or the date of termination of that conflict, as proclaimed by  
24 the President of the United States or Congress, whichever date of  
25 termination is the latest, in such active service; provided, that any  
26 person receiving an actual service-incurred injury or disability shall  
27 be classed as a veteran whether or not that person has completed the  
28 14 days' service as herein provided;

29 (13) Vietnam conflict, on or after December 31, 1960, and on or  
30 prior to May 7, 1975, who shall have served at least 90 days in such  
31 active service, exclusive of any period of assignment (1) for a  
32 course of education or training under the Army Specialized  
33 Training Program or the Navy College Training Program, which  
34 course was a continuation of a civilian course and was pursued to  
35 completion, or (2) as a cadet or midshipman at one of the service  
36 academies, any part of which 90 days was served between said  
37 dates; and exclusive of any service performed pursuant to the  
38 provisions of section 511(d) of Title 10, United States Code,  
39 pursuant to an enlistment in the Army National Guard or as a  
40 reserve for service in the Army Reserve, Naval Reserve, Air Force  
41 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided  
42 that any person receiving an actual service-incurred injury or  
43 disability shall be classed as a veteran, whether or not that person  
44 has completed the 90-day service as herein provided;

45 (14) Lebanon peacekeeping mission, on or after September 26,  
46 1982, who has served in Lebanon or on board any ship actively  
47 engaged in patrolling the territorial waters of that nation for a  
48 period, continuous or in the aggregate, of at least 14 days

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1 commencing on or before December 1, 1987 or the date of  
2 termination of that mission, as proclaimed by the President of the  
3 United States or Congress, whichever date of termination is the  
4 latest, in such active service; provided, that any person receiving an  
5 actual service-incurred injury or disability shall be classed as a  
6 veteran whether or not that person has completed the 14 days'  
7 service as herein provided;

8 (15) Grenada peacekeeping mission, on or after October 23,  
9 1983, who has served in Grenada or on board any ship actively  
10 engaged in patrolling the territorial waters of that nation for a  
11 period, continuous or in the aggregate, of at least 14 days  
12 commencing on or before November 21, 1983 or the date of  
13 termination of that mission, as proclaimed by the President of the  
14 United States or Congress, whichever date of termination is the  
15 latest, in such active service; provided, that any person receiving an  
16 actual service-incurred injury or disability shall be classed as a  
17 veteran whether or not that person has completed the 14 days'  
18 service as herein provided;

19 (16) Panama peacekeeping mission, on or after December 20,  
20 1989 or the date of inception of that mission, as proclaimed by the  
21 President of the United States or Congress, whichever date of  
22 inception is earliest, who has served in Panama or on board any ship  
23 actively engaged in patrolling the territorial waters of that nation for  
24 a period, continuous or in the aggregate, of at least 14 days  
25 commencing on or before January 31, 1990 or the date of  
26 termination of that mission, as proclaimed by the President of the  
27 United States or Congress, whichever date of termination is the  
28 latest, in such active service; provided, that any person receiving an  
29 actual service-incurred injury or disability shall be classed as a  
30 veteran whether or not that person has completed the 14 days'  
31 service as herein provided;

32 (17) Operation "Desert Shield/Desert Storm" mission in the  
33 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
34 or the date of inception of that operation, as proclaimed by the  
35 President of the United States or Congress, whichever date of  
36 inception is earliest, who has served in the Arabian peninsula or on  
37 board any ship actively engaged in patrolling the Persian Gulf for a  
38 period, continuous or in the aggregate, of at least 14 days  
39 commencing on or before the date of termination of that mission, as  
40 proclaimed by the President of the United States or Congress,  
41 whichever date of termination is the latest, in such active service;  
42 provided, that any person receiving an actual service-incurred injury  
43 or disability shall be classed as a veteran whether or not that person  
44 has completed the 14 days' service as herein provided;

45 (18) Operation Northern Watch and Operation Southern Watch,  
46 on or after August 27, 1992, or the date of inception of that  
47 operation, as proclaimed by the President of the United States,  
48 Congress or United States Secretary of Defense, whichever date of

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1 inception is earliest, who served in the theater of operation,  
2 including in the Arabian peninsula and the Persian Gulf, and in  
3 direct support of that operation for a period, continuously or in the  
4 aggregate, of at least 14 days in such active service, commencing on  
5 or before the date of termination of the operation, as proclaimed by  
6 the President of the United States, Congress or United States  
7 Secretary of Defense, whichever date of termination is latest;  
8 provided, that any person receiving an actual service-incurred injury  
9 or disability while engaged in such service shall be classed as a  
10 veteran whether or not that person has completed the 14 days'  
11 service as herein provided;

12 (19) Operation "Restore Hope" in Somalia, on or after December  
13 5, 1992, or the date of inception of that operation as proclaimed by  
14 the President of the United States or Congress, whichever date is  
15 earliest, who has served in Somalia or on board any ship actively  
16 engaged in patrolling the territorial waters of that nation for a  
17 period, continuously or in the aggregate, of at least 14 days in such  
18 active service commencing on or before March 31, 1994; provided  
19 that any person receiving an actual service-incurred injury or  
20 disability shall be classed as a veteran whether or not that person  
21 has completed the 14-day service as herein provided;

22 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
23 Republic of Bosnia and Herzegovina, on or after November 20,  
24 1995, who served in such active service in direct support of one or  
25 both of the operations for at least 14 days, continuously or in the  
26 aggregate, commencing on or before June 20, 1998, and (1) was  
27 deployed in that nation or in another area in the region, or (2) was  
28 on board a United States naval vessel operating in the Adriatic Sea,  
29 or (3) operated in airspace above the Republic of Bosnia and  
30 Herzegovina; provided that any person receiving an actual service-  
31 incurred injury or disability shall be classed as a veteran whether or  
32 not that person completed the 14-day service requirement;

33 (21) Operation "Enduring Freedom", on or after September 11,  
34 2001, who served in a theater of operation and in direct support of  
35 that operation for a period, continuously or in the aggregate, of at  
36 least 14 days in such active service commencing on or before the  
37 date the President of the United States or the United States  
38 Secretary of Defense designates as the termination date of that  
39 operation; provided, that any person receiving an actual service-  
40 incurred injury or disability while engaged in such service shall be  
41 classed as a veteran whether or not that person has completed the 14  
42 days' service as herein provided; and

43 (22) Operation "Iraqi Freedom", on or after the date the President  
44 of the United States or the United States Secretary of Defense  
45 designates as the inception date of that operation, who served in  
46 Iraq or in another area in the region in direct support of that  
47 operation for a period, continuously or in the aggregate, of at least  
48 14 days in such active service commencing on or before the date the

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1 President of the United States or the United States Secretary of  
2 Defense designates as the termination date of that operation;  
3 provided, that any person receiving an actual service-incurred injury  
4 or disability while engaged in such service shall be classed as a  
5 veteran whether or not that person has completed the 14 days'  
6 service as herein provided.

7 "Veteran" also means any honorably discharged member of the  
8 American Merchant Marine who served during World War II and is  
9 declared by the United States Department of Defense to be eligible  
10 for federal veterans' benefits.

11 s. "Child" means a deceased member's unmarried child either  
12 (a) under the age of 18 or (b) of any age who, at the time of the  
13 member's death, is disabled because of mental retardation or  
14 physical incapacity, is unable to do any substantial, gainful work  
15 because of the impairment and the impairment has lasted or can be  
16 expected to last for a continuous period of not less than 12 months,  
17 as affirmed by the medical board.

18 t. (1) "Widower," for employees of the State, means the man to  
19 whom a member was married, or a domestic partner as defined in  
20 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
21 the date of her death and to whom she continued to be married or a  
22 domestic partner until the date of her death and who was receiving  
23 at least one-half of his support from the member in the 12-month  
24 period immediately preceding the member's death or the accident  
25 which was the direct cause of the member's death. The dependency  
26 of such a widower will be considered terminated by marriage of, or  
27 establishment of a domestic partnership by, the widower subsequent  
28 to the death of the member. In the event of the payment of an  
29 accidental death benefit, the five-year qualification shall be waived.

30 (2) Subject to the provisions of paragraph (3) of this subsection,  
31 "widower," for employees of public employers other than the State,  
32 means the man to whom a member was married at least five years  
33 before the date of her death and to whom she continued to be  
34 married until the date of her death and who was receiving at least  
35 one-half of his support from the member in the 12-month period  
36 immediately preceding the member's death or the accident which  
37 was the direct cause of the member's death. The dependency of  
38 such a widower shall be considered terminated by marriage of the  
39 widower subsequent to the death of the member. In the event of the  
40 payment of an accidental death benefit, the five-year qualification  
41 shall be waived.

42 (3) A public employer other than the State may adopt a  
43 resolution providing that the term "widower" as defined in  
44 paragraph (2) of this subsection shall include domestic partners as  
45 provided in paragraph (1) of this subsection.

46 u. (1) "Widow," for employees of the State, means the woman to  
47 whom a member was married, or a domestic partner as defined in  
48 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before

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1 the date of his death and to whom he continued to be married or a  
2 domestic partner until the date of his death and who was receiving  
3 at least one-half of her support from the member in the 12-month  
4 period immediately preceding the member's death or the accident  
5 which was the direct cause of the member's death. The dependency  
6 of such a widow will be considered terminated by the marriage of,  
7 or establishment of a domestic partnership by, the widow  
8 subsequent to the member's death. In the event of the payment of an  
9 accidental death benefit, the five-year qualification shall be waived.

10 (2) Subject to the provisions of paragraph (3) of this subsection,  
11 "widow," for employees of public employers other than the State,  
12 means the woman to whom a member was married at least five  
13 years before the date of his death and to whom he continued to be  
14 married until the date of his death and who was receiving at least  
15 one-half of her support from the member in the 12-month period  
16 immediately preceding the member's death or the accident which  
17 was the direct cause of the member's death. The dependency of  
18 such a widow shall be considered terminated by the marriage of the  
19 widow subsequent to the member's death. In the event of the  
20 payment of an accidental death benefit, the five-year qualification  
21 shall be waived.

22 (3) A public employer other than the State may adopt a  
23 resolution providing that the term "widower" as defined in  
24 paragraph (2) of this subsection shall include domestic partners as  
25 provided in paragraph (1) of this subsection.

26 v. "Parent" means the parent of a member who was receiving at  
27 least one-half of the parent's support from the member in the 12-  
28 month period immediately preceding the member's death or the  
29 accident which was the direct cause of the member's death. The  
30 dependency of such a parent will be considered terminated by  
31 marriage of the parent subsequent to the death of the member.

32 w. "Medical board" means the board of physicians provided for  
33 in N.J.S.18A:66-56.

34 x. (1) "Spouse," for employees of the State, means the husband  
35 or wife, or domestic partner as defined in section 3 of P.L.2003,  
36 c.246 (C.26:8A-3), of a member.

37 (2) Subject to the provisions of paragraph (1) of this subsection,  
38 "spouse," for employees of public employers other than the State,  
39 means the husband or wife of a member.

40 (3) A public employer other than the State may adopt a  
41 resolution providing that the term "spouse" as defined in paragraph  
42 (2) of this subsection shall include domestic partners as provided in  
43 paragraph (1) of this subsection.

44 (cf: P.L.2005, c.64, s.2)

45

46 10. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read  
47 as follows:

48 6. As used in this act:

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1 a. "Accumulated deductions" means the sum of all the  
2 amounts, deducted from the compensation of a member or  
3 contributed by or on behalf of the member, standing to the credit of  
4 the member's individual account in the annuity savings fund.

5 b. "Annuity" means payments for life derived from the  
6 accumulated deductions of a member as provided in this act.

7 c. "Annuity reserve" means the present value of all payments  
8 to be made on account of any annuity or benefit in lieu of an  
9 annuity, granted under the provisions of this act, computed on the  
10 basis of such mortality tables recommended by the actuary as the  
11 board of trustees adopts, with regular interest.

12 d. "Beneficiary" means any person receiving a retirement  
13 allowance or other benefit as provided in this act.

14 e. "Child" means a deceased member's unmarried child either  
15 (1) under the age of 18 or (2) of any age who, at the time of the  
16 member's death, is disabled because of mental retardation or  
17 physical incapacity, is unable to do any substantial, gainful work  
18 because of the impairment and the impairment has lasted or can be  
19 expected to last for a continuous period of not less than 12 months,  
20 as affirmed by the medical board.

21 f. "Parent" shall mean the parent of a member who was  
22 receiving at least 1/2 of the parent's support from the member in the  
23 12-month period immediately preceding the member's death or the  
24 accident which was the direct cause of the member's death. The  
25 dependency of such a parent will be considered terminated by  
26 marriage of the parent subsequent to the death of the member.

27 g. (1) "Widower," for employees of the State, means the man to  
28 whom a member was married, or a domestic partner as defined in  
29 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
30 the date of her death and to whom she continued to be married or a  
31 domestic partner until the date of her death and who was receiving  
32 at least 1/2 of his support from the member in the 12-month period  
33 immediately preceding the member's death or the accident which  
34 was the direct cause of the member's death. The dependency of  
35 such a widower will be considered terminated by marriage of, or  
36 establishment of a domestic partnership by, the widower subsequent  
37 to the death of the member. In the event of the payment of an  
38 accidental death benefit, the five-year qualification shall be waived.

39 (2) Subject to the provisions of paragraph (3) of this subsection,  
40 "widower," for employees of public employers other than the State,  
41 means the man to whom a member was married at least five years  
42 before the date of her death and to whom she continued to be  
43 married until the date of her death and who was receiving at least  
44 1/2 of his support from the member in the 12-month period  
45 immediately preceding the member's death or the accident which  
46 was the direct cause of the member's death. The dependency of  
47 such a widower shall be considered terminated by marriage of the  
48 widower subsequent to the death of the member. In the event of the

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1 payment of an accidental death benefit, the five-year qualification  
2 shall be waived.

3 (3) A public employer other than the State may adopt a  
4 resolution providing that the term "widower" as defined in  
5 paragraph (2) of this subsection shall include domestic partners as  
6 provided in paragraph (1) of this subsection.

7 h. "Final compensation" means the average annual  
8 compensation for which contributions are made for the three years  
9 of creditable service in New Jersey immediately preceding the  
10 member's retirement or death, or it shall mean the average annual  
11 compensation for New Jersey service for which contributions are  
12 made during any three fiscal years of his or her membership  
13 providing the largest possible benefit to the member or the  
14 member's beneficiary.

15 i. "Fiscal year" means any year commencing with July 1 and  
16 ending with June 30 next following.

17 j. "Medical board" shall mean the board of physicians  
18 provided for in section 17 (C.43:15A-17).

19 k. "Pension" means payments for life derived from  
20 appropriations made by the employer as provided in this act.

21 l. "Pension reserve" means the present value of all payments to  
22 be made on account of any pension or benefit in lieu of a pension  
23 granted under the provisions of this act, computed on the basis of  
24 such mortality tables recommended by the actuary as the board of  
25 trustees adopts, with regular interest.

26 m. "Public Employees' Retirement System of New Jersey,"  
27 hereinafter referred to as the "retirement system" or "system," is the  
28 corporate name of the arrangement for the payment of retirement  
29 allowances and other benefits under the provisions of this act  
30 including the several funds placed under said system. By that name  
31 all of its business shall be transacted, its funds invested, warrants  
32 for money drawn, and payments made and all of its cash and  
33 securities and other property held.

34 n. "Regular interest" shall mean interest as determined by the  
35 State Treasurer, after consultation with the Directors of the  
36 Divisions of Investment and Pensions, the board of trustees and the  
37 actuary. It shall bear a reasonable relationship to the percentage  
38 rate of earnings on investments based on the market value of the  
39 assets but shall not exceed the assumed percentage rate of increase  
40 applied to salaries plus 3%, provided however that the board of  
41 trustees shall not set the average percentage rate of increase applied  
42 to salaries below 6%.

43 o. "Retirement allowance" means the pension plus the annuity.

44 p. "Veteran" means any honorably discharged officer, soldier,  
45 sailor, airman, marine or nurse who served in any Army, Air Force  
46 or Navy of the Allies of the United States in World War I, between  
47 July 14, 1914, and November 11, 1918, or who served in any Army,  
48 Air Force or Navy of the Allies of the United States in World War



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1 II, between September 1, 1939, and September 2, 1945, and who  
2 was inducted into such service through voluntary enlistment, and  
3 was a citizen of the United States at the time of such enlistment, and  
4 who did not, during or by reason of such service, renounce or lose  
5 United States citizenship, and any officer, soldier, sailor, marine,  
6 airman, nurse or army field clerk, who has served in the active  
7 military or naval service of the United States and has or shall be  
8 discharged or released therefrom under conditions other than  
9 dishonorable, in any of the following wars, uprisings, insurrections,  
10 expeditions, or emergencies, and who has presented to the  
11 retirement system evidence of such record of service in form and  
12 content satisfactory to said retirement system:

13 (1) The Indian wars and uprisings during any of the periods  
14 recognized by the War Department of the United States as periods  
15 of active hostility;

16 (2) The Spanish-American War between April 20, 1898, and  
17 April 11, 1899;

18 (3) The Philippine insurrections and expeditions during the  
19 periods recognized by the War Department of the United States as  
20 of active hostility from February 4, 1899, to the end of 1913;

21 (4) The Peking relief expedition between June 20, 1900, and  
22 May 27, 1902;

23 (5) The army of Cuban occupation between July 18, 1898, and  
24 May 20, 1902;

25 (6) The army of Cuban pacification between October 6, 1906,  
26 and April 1, 1909;

27 (7) The Mexican punitive expedition between March 14, 1916,  
28 and February 7, 1917;

29 (8) The Mexican border patrol, having actually participated in  
30 engagements against Mexicans between April 12, 1911, and June  
31 16, 1919;

32 (9) World War I, between April 6, 1917, and November 11,  
33 1918;

34 (10) World War II, between September 16, 1940, and December  
35 31, 1946, who shall have served at least 90 days in such active  
36 service, exclusive of any period of assignment (1) for a course of  
37 education or training under the Army Specialized Training Program  
38 or the Navy College Training Program which course was a  
39 continuation of a civilian course and was pursued to completion, or  
40 (2) as a cadet or midshipman at one of the service academies any  
41 part of which 90 days was served between said dates; provided, that  
42 any person receiving an actual service-incurred injury or disability  
43 shall be classed as a veteran whether or not that person has  
44 completed the 90-day service as herein provided;

45 (11) Korean conflict on or after June 23, 1950, and on or prior to  
46 January 31, 1955, who shall have served at least 90 days in such  
47 active service, exclusive of any period of assignment (1) for a  
48 course of education or training under the Army Specialized

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1 Training Program or the Navy College Training Program which  
2 course was a continuation of a civilian course and was pursued to  
3 completion, or (2) as a cadet or midshipman at one of the service  
4 academies, any part of which 90 days was served between said  
5 dates; provided, that any person receiving an actual service-incurred  
6 injury or disability shall be classed as a veteran whether or not that  
7 person has completed the 90-day service as herein provided; and  
8 provided further, that any member classed as a veteran pursuant to  
9 this paragraph prior to August 1, 1966, shall continue to be classed  
10 as a veteran whether or not that person completed the 90-day  
11 service between said dates as herein provided;

12 (12) Lebanon crisis, on or after July 1, 1958, who has served in  
13 Lebanon or on board any ship actively engaged in patrolling the  
14 territorial waters of that nation for a period, continuous or in the  
15 aggregate, of at least 14 days commencing on or before November  
16 1, 1958 or the date of termination of that conflict, as proclaimed by  
17 the President of the United States or Congress, whichever date of  
18 termination is the latest, in such active service; provided, that any  
19 person receiving an actual service-incurred injury or disability shall  
20 be classed as a veteran whether or not that person has completed the  
21 14 days' service as herein provided;

22 (13) Vietnam conflict on or after December 31, 1960, and on or  
23 prior to May 7, 1975, who shall have served at least 90 days in such  
24 active service, exclusive of any period of assignment (1) for a  
25 course of education or training under the Army Specialized  
26 Training Program or the Navy College Training Program which  
27 course was a continuation of a civilian course and was pursued to  
28 completion, or (2) as a cadet or midshipman at one of the service  
29 academies, any part of which 90 days was served between said  
30 dates; and exclusive of any service performed pursuant to the  
31 provisions of section 511(d) of Title 10, United States Code,  
32 pursuant to an enlistment in the Army National Guard or as a  
33 reserve for service in the Army Reserve, Naval Reserve, Air Force  
34 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
35 that any person receiving an actual service-incurred injury or  
36 disability shall be classed as a veteran whether or not that person  
37 has completed the 90 days' service as herein provided;

38 (14) Lebanon peacekeeping mission, on or after September 26,  
39 1982, who has served in Lebanon or on board any ship actively  
40 engaged in patrolling the territorial waters of that nation for a  
41 period, continuous or in the aggregate, of at least 14 days  
42 commencing on or before December 1, 1987 or the date of  
43 termination of that mission, as proclaimed by the President of the  
44 United States or Congress, whichever date of termination is the  
45 latest, in such active service; provided, that any person receiving an  
46 actual service-incurred injury or disability shall be classed as a  
47 veteran whether or not that person has completed the 14 days'  
48 service as herein provided;

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1 (15) Grenada peacekeeping mission, on or after October 23,  
2 1983, who has served in Grenada or on board any ship actively  
3 engaged in patrolling the territorial waters of that nation for a  
4 period, continuous or in the aggregate, of at least 14 days  
5 commencing on or before November 21, 1983 or the date of  
6 termination of that mission, as proclaimed by the President of the  
7 United States or Congress, whichever date of termination is the  
8 latest, in such active service; provided, that any person receiving an  
9 actual service-incurred injury or disability shall be classed as a  
10 veteran whether or not that person has completed the 14 days'  
11 service as herein provided;

12 (16) Panama peacekeeping mission, on or after December 20,  
13 1989 or the date of inception of that mission, as proclaimed by the  
14 President of the United States or Congress, whichever date of  
15 inception is earliest, who has served in Panama or on board any ship  
16 actively engaged in patrolling the territorial waters of that nation for  
17 a period, continuous or in the aggregate, of at least 14 days  
18 commencing on or before January 31, 1990 or the date of  
19 termination of that mission, as proclaimed by the President of the  
20 United States or Congress, whichever date of termination is the  
21 latest, in such active service; provided, that any person receiving an  
22 actual service-incurred injury or disability shall be classed as a  
23 veteran whether or not that person has completed the 14 days'  
24 service as herein provided;

25 (17) Operation "Desert Shield/Desert Storm" mission in the  
26 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
27 or the date of inception of that operation, as proclaimed by the  
28 President of the United States or Congress, whichever date of  
29 inception is earliest, who has served in the Arabian peninsula or on  
30 board any ship actively engaged in patrolling the Persian Gulf for a  
31 period, continuous or in the aggregate, of at least 14 days  
32 commencing on or before the date of termination of that mission, as  
33 proclaimed by the President of the United States or Congress,  
34 whichever date of termination is the latest, in such active service;  
35 provided, that any person receiving an actual service-incurred injury  
36 or disability shall be classed as a veteran whether or not that person  
37 has completed the 14 days' service as herein provided;

38 (18) Operation Northern Watch and Operation Southern Watch,  
39 on or after August 27, 1992, or the date of inception of that  
40 operation, as proclaimed by the President of the United States,  
41 Congress or United States Secretary of Defense, whichever date of  
42 inception is earliest, who served in the theater of operation,  
43 including in the Arabian peninsula and the Persian Gulf, and in  
44 direct support of that operation for a period, continuously or in the  
45 aggregate, of at least 14 days in such active service, commencing on  
46 or before the date of termination of that operation, as proclaimed by  
47 the President of the United States, Congress or United States  
48 Secretary of Defense, whichever date of termination is the latest;

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1 provided, that any person receiving an actual service-incurred injury  
2 or disability while engaged in such service shall be classed as a  
3 veteran whether or not that person has completed the 14 days'  
4 service as herein provided;

5 (19) Operation "Restore Hope" in Somalia, on or after December  
6 5, 1992, or the date of inception of that operation as proclaimed by  
7 the President of the United States or Congress, whichever date is  
8 earliest, who has served in Somalia or on board any ship actively  
9 engaged in patrolling the territorial waters of that nation for a  
10 period, continuously or in the aggregate, of at least 14 days in such  
11 active service commencing on or before March 31, 1994; provided  
12 that any person receiving an actual service-incurred injury or  
13 disability shall be classed as a veteran whether or not that person  
14 has completed the 14-day service as herein provided;

15 (20) Operations "Joint Endeavor" and "Joint Guard" in the  
16 Republic of Bosnia and Herzegovina, on or after November 20,  
17 1995, who served in such active service in direct support of one or  
18 both of the operations for at least 14 days, continuously or in the  
19 aggregate, commencing on or before June 20, 1998 and (1) was  
20 deployed in that nation or in another area in the region, or (2) was  
21 on board a United States naval vessel operating in the Adriatic Sea,  
22 or (3) operated in airspace above the Republic of Bosnia and  
23 Herzegovina; provided that any person receiving an actual service-  
24 incurred injury or disability shall be classed as a veteran whether or  
25 not that person completed the 14-day service requirement;

26 (21) Operation "Enduring Freedom", on or after September 11,  
27 2001, who served in a theater of operation and in direct support of  
28 that operation for a period, continuously or in the aggregate, of at  
29 least 14 days in such active service commencing on or before the  
30 date the President of the United States or the United States  
31 Secretary of Defense designates as the termination date of that  
32 operation; provided, that any person receiving an actual service-  
33 incurred injury or disability while engaged in such service shall be  
34 classed as a veteran whether or not that person has completed the 14  
35 days' service as herein provided; and

36 (22) Operation "Iraqi Freedom", on or after the date the President  
37 of the United States or the United States Secretary of Defense  
38 designates as the inception date of that operation, who served in  
39 Iraq or in another area in the region in direct support of that  
40 operation for a period, continuously or in the aggregate, of at least  
41 14 days in such active service commencing on or before the date the  
42 President of the United States or the United States Secretary of  
43 Defense designates as the termination date of that operation;  
44 provided, that any person receiving an actual service-incurred injury  
45 or disability while engaged in such service shall be classed as a  
46 veteran whether or not that person has completed the 14 days'  
47 service as herein provided.

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1 "Veteran" also means any honorably discharged member of the  
2 American Merchant Marine who served during World War II and is  
3 declared by the United States Department of Defense to be eligible  
4 for federal veterans' benefits.

5 q. (1) "Widow," for employees of the State, means the woman to  
6 whom a member was married, or a domestic partner as defined in  
7 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before  
8 the date of his death and to whom he continued to be married or a  
9 domestic partner until the date of his death and who was receiving  
10 at least 1/2 of her support from the member in the 12-month period  
11 immediately preceding the member's death or the accident which  
12 was the direct cause of the member's death. The dependency of  
13 such a widow will be considered terminated by the marriage of, or  
14 establishment of a domestic partnership by, the widow subsequent  
15 to the member's death. In the event of the payment of an accidental  
16 death benefit, the five-year qualification shall be waived.

17 (2) Subject to the provisions of paragraph (3) of this subsection,  
18 "widow," for employees of public employers other than the State,  
19 means the woman to whom a member was married at least five  
20 years before the date of his death and to whom he continued to be  
21 married until the date of his death and who was receiving at least  
22 1/2 of her support from the member in the 12-month period  
23 immediately preceding the member's death or the accident which  
24 was the direct cause of the member's death. The dependency of  
25 such a widow shall be considered terminated by the marriage of the  
26 widow subsequent to the member's death. In the event of the  
27 payment of an accidental death benefit, the five-year qualification  
28 shall be waived.

29 (3) A public employer other than the State may adopt a  
30 resolution providing that the term "widow" as defined in paragraph  
31 (2) of this subsection shall include domestic partners as provided in  
32 paragraph (1) of this subsection.

33 r. (1) "Compensation" means the base or contractual salary,  
34 for services as an employee, which is in accordance with  
35 established salary policies of the member's employer for all  
36 employees in the same position but shall not include individual  
37 salary adjustments which are granted primarily in anticipation of  
38 the member's retirement or additional remuneration for performing  
39 temporary or extracurricular duties beyond the regular workday or  
40 the regular work year.

41 (2) In the case of a person who becomes a member of the  
42 retirement system on or after July 1, 2007, "compensation" means  
43 the amount of base or contractual salary equivalent to the annual  
44 maximum wage contribution base for Social Security, pursuant to  
45 the federal Insurance Contributions Act, for services as an  
46 employee, which is in accordance with established salary policies of  
47 the member's employer for all employees in the same position but  
48 shall not include individual salary adjustments which are granted

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1 primarily in anticipation of the member's retirement or additional  
2 remuneration for performing temporary or extracurricular duties  
3 beyond the regular workday or the regular work year. This  
4 paragraph shall not apply to a person who at the time of enrollment  
5 in the retirement system on or after July 1, 2007 transfers service  
6 credit from another State-administered retirement system pursuant  
7 to section 14 of P.L.1954, c.84 (C.43:15A-14), but shall apply to a  
8 former member of the retirement system who has been granted a  
9 retirement allowance and is reenrolled in the retirement system on  
10 or after July 1, 2007 pursuant to section 27 of P.L.1966, c.217  
11 (C.43:15A-57.2) after becoming employed again in a position that  
12 makes the person eligible to be a member of the retirement system.

13 In cases where salary includes maintenance, the retirement  
14 system shall fix the value of that part of the salary not paid in  
15 money which shall be considered under this act.

16 (cf: P.L.2005, c.64, s.3)

17

18 11. Section 1 of P.L.2007, c.92 (C.43:15C-1) is amended to read  
19 as follows:

20 1. There is hereby established in the Department of the  
21 Treasury a Defined Contribution Retirement Program. The program  
22 design shall be one that is permitted for governmental plans under  
23 the federal Internal Revenue Code as determined by the State  
24 Treasurer. The retirement program is deemed to be a pension fund  
25 or retirement system for purposes of P.L.1968, c.23 (C.43:3C-1 et  
26 seq.). For the purposes of the Defined Contribution Retirement  
27 Program:

28 "Base salary" means a participant's regular base salary; except  
29 that for a participant pursuant to paragraph (5) of subsection a. of  
30 section 2 of P.L.2007, c.92 (C.43:15C-2), it shall mean the excess  
31 over the maximum compensation as specified in that paragraph. It  
32 shall exclude overtime or other forms of extra compensation,  
33 including but not limited to, longevity lump sum payments, lump  
34 sum terminal sick leave or vacation pay, the value of maintenance,  
35 individual pay adjustments made within or at the conclusion of the  
36 participant's final year of service, retroactive salary adjustments or  
37 other pay adjustments made in the participant's final year of service  
38 unless the adjustment was made as a result of a general pay  
39 adjustment for all personnel of the public office or agency in which  
40 the participant is employed, or any unscheduled individual  
41 adjustment made in the final year to place the participant at the  
42 maximum salary level within salary range.

43 "Employer" means the State or a political subdivision thereof, or  
44 an agency, board, commission, authority or instrumentality of the  
45 State or a subdivision, that pays the base salary of a participant for  
46 services rendered by the participant.

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1       “Retirement program” means the Defined Contribution  
2 Retirement Program established by this section.

3 (cf: P.L.2007, c.92, s.1)

4

5       12. Section 2 of P.L.2007, c.92 (C.43:15C-2) is amended to read  
6 as follows:

7       2. a. The following persons shall be eligible and shall  
8 participate in the Defined Contribution Retirement Program.

9       (1) A person who commences service on or after the effective  
10 date of this section of P.L.2007, c.92 (C.43:15C-1 et al.) in an  
11 elective public office of this State or of a political subdivision  
12 thereof, except that it shall not include a person who holds elective  
13 public office on the effective date of this section and is enrolled in  
14 the Public Employees’ Retirement System while that person  
15 continues to hold that elective public office without a break in  
16 service. Service in the Legislature shall be considered a single  
17 elective public office.

18       (2) A person who commences service on or after the effective  
19 date of this section in an employment, office or position of the State  
20 or of a political subdivision thereof, or an agency, board,  
21 commission, authority or instrumentality of the State or of a  
22 subdivision, pursuant to an appointment by the Governor that  
23 requires the advice and consent of the Senate, or pursuant to an  
24 appointment by the Governor to serve at the pleasure of the  
25 Governor only during his or her term of office. This paragraph  
26 shall not be deemed to include a person otherwise eligible for  
27 membership in the State Police Retirement System or the Judicial  
28 Retirement System.

29       (3) A person who commences service on or after the effective  
30 date of this section in an employment, office or position in a  
31 political subdivision of the State, or an agency, board, commission,  
32 authority or instrumentality of a subdivision, pursuant to an  
33 appointment by an elected public official or elected governing  
34 body, that requires the specific consent or approval of the elected  
35 governing body of the political subdivision that is substantially  
36 similar in nature to the advice and consent of the Senate for  
37 appointments by the Governor of the State as that similarity is  
38 determined by the elected governing body and set forth in an  
39 adopted ordinance or resolution, pursuant to guidelines or policy  
40 that shall be established by the Local Finance Board in the  
41 Department of Community Affairs or the Department of Education,  
42 as appropriate to the elected governing body. This paragraph shall  
43 not be deemed to include a person otherwise eligible for  
44 membership in the Teachers’ Pension and Annuity Fund or the  
45 Police and Firemen’s Retirement System, or a person who is  
46 employed or appointed in the regular or normal course of  
47 employment or appointment procedures and consented to or  
48 approved in a general or routine manner appropriate for and

1 followed by the political subdivision, or the agency, board,  
2 commission, authority or instrumentality of a subdivision, or a  
3 person who holds a professional license or certificate to perform  
4 and is performing as a certified health officer, tax assessor, tax  
5 collector, municipal planner, chief financial officer, registered  
6 municipal clerk, construction code official, licensed uniform  
7 subcode inspector, qualified purchasing agent, or certified public  
8 works manager.

9 (4) A person who is granted a pension or retirement allowance  
10 under any pension fund or retirement system established under the  
11 laws of this State and elects to participate pursuant to section 1 of  
12 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

13 (5) A member of the Teachers' Pension and Annuity Fund or the  
14 Public Employees' Retirement System for whom compensation is  
15 defined as the amount of base or contractual salary equivalent to the  
16 annual maximum wage contribution base for Social Security,  
17 pursuant to the federal Insurance Contributions Act, for  
18 contribution and benefit purposes in either of those retirement  
19 systems, for whom participation in this retirement program shall be  
20 with regard to any excess over the maximum compensation only.

21 b. No person shall be eligible to participate in the retirement  
22 program with respect to any public employment, office, or position  
23 if:

24 (1) the base salary for that employment, office, or position is  
25 less than \$1,500 per year;

26 (2) the person is, on the basis of service in that employment,  
27 office, or position, eligible for membership or enrolled as a member  
28 of another State or locally-administered pension fund or retirement  
29 system established under the laws of this State including the  
30 Alternate Benefit Program, except as otherwise specifically  
31 provided in subsection a. of this section;

32 (3) the person is receiving a benefit as a retiree from any other  
33 State or locally-administered pension fund or retirement system  
34 established under the laws of this State, except as provided in  
35 section 1 of P.L.1977, c.171 (C.43:3C-3); or

36 (4) the person is an officer or employee of a political  
37 subdivision of this State or of a board of education, or of any  
38 agency, authority or instrumentality thereof, who is ineligible for  
39 membership in the Public Employees' Retirement System pursuant  
40 to section 20 of P.L.2007, c.92 (C.43:15A-7.2).

41 c. A person eligible and required to participate in the  
42 retirement program whose base salary is less than \$5,000 may at the  
43 commencement of service in an employment, office or position, or a  
44 person eligible and required to participate in the retirement program  
45 pursuant to paragraph (5) of subsection a. of this section may,  
46 irrevocably elect to waive participation with regard to that  
47 employment, office, or position by filing, at the time and on a form  
48 required by the division, a written waiver with the Division of



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1 Pensions and Benefits that waives all rights and benefits that would  
2 otherwise be provided by the retirement program.

3 d. Service credited to a participant in the Defined Contribution  
4 Retirement Program shall not be recognized as service credit to  
5 determine eligibility for employer-paid health care benefits in  
6 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),  
7 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et seq.) or  
8 any other law, rule or regulation.  
9 (cf: P.L.2007, c.92, s.2)

10

11 13. Section 7 of P.L.2007, c.92 (C.43:15C-7) is amended to read  
12 as follows:

13 7. The benefit under a group contract or contracts providing life  
14 insurance shall be in an amount equal to one and one-half the base  
15 annual salary of the participant in the retirement program, except  
16 that in the event of death after retirement, the amount payable shall  
17 equal 3/16 of the participant's base annual salary. "Base annual  
18 salary" means the base salary upon which contributions by the  
19 participant and the participant's employer to the retirement program  
20 were based during the last year of creditable service.

21 For purposes of this section, a participant shall be deemed to be  
22 in service and covered by the group life insurance for a period of  
23 official leave of absence without pay when such leave is due to  
24 illness or any reason other than illness, with such period to be  
25 determined by the Division of Pensions and Benefits, if satisfactory  
26 evidence is presented to the division of such official leave of  
27 absence. A participant shall be deemed to be on an official leave of  
28 absence only if the leave is formally approved by the employer  
29 prior to the time the leave commenced and timely notice is filed by  
30 the employer with the division. If timely notice is not filed, the  
31 employer shall be responsible for the payment of any benefits  
32 pursuant to this section if the participant was otherwise eligible for  
33 such benefits.

34 In the event of the death of a participant in active service in the  
35 first year of participation as a result of an accident met in the actual  
36 performance of duty at some definite time and place, the death  
37 benefit payable pursuant to this section shall be computed at the  
38 annual rate of base salary.

39 No beneficiary of a retired participant shall be entitled to receive  
40 the death benefits payable in the event of death after retirement  
41 pursuant to this section unless the participant either: had at least 25  
42 years of credited participation in the retirement program established  
43 pursuant to this act; or had at least 10 years of such credited  
44 participation and had attained 60 years of age and was an actively  
45 employed participant in the program in the year immediately  
46 preceding initial receipt of a retirement annuity. For a member who  
47 is a participant pursuant to paragraph (5) of subsection a. of section  
48 2 of P.L.2007, c.92 (C.43:15C-2), service credit in the Teachers'

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1 Pension and Annuity Fund or the Public Employees' Retirement  
2 System shall also be considered in determining if the participant  
3 met the requirements of this paragraph.

4 (cf: P.L.2007, c.92, s.7)

5

6 14. Section 11 of P.L.2007, c.92 (C.43:15C-11) is amended to  
7 read as follows:

8 11. Any person entitled to become a participant in the retirement  
9 program shall not be allowed any of the group life insurance and  
10 disability benefits if on the date of filing an application for  
11 participation the person is 60 or more years of age, or if the person  
12 makes application for participation in the retirement program  
13 beyond the year after first becoming eligible for participation,  
14 regardless of age, unless the participant furnishes satisfactory  
15 evidence of insurability and on the effective date of participation is  
16 actively at work and performing all regular duties at the customary  
17 place of employment.

18 The effective date of coverage for such benefits shall be the first  
19 day of the month which immediately follows the date when such  
20 evidence is determined to be satisfactory.

21 Such evidence of insurability shall not be required of any person  
22 enrolling in the retirement program upon transfer from another  
23 State-administered retirement system, if such retirement system  
24 provided a benefit of a similar nature and the transferring person  
25 was covered by such a benefit at the time of the transfer. If such  
26 transferring person was not covered by such a benefit at the time of  
27 the transfer, the person may be allowed the benefit under the group  
28 policy or policies; however, any such person shall furnish  
29 satisfactory evidence of insurability if he had been unable or failed  
30 to give such evidence as a member of the retirement system from  
31 which the person transferred. Such evidence of insurability shall  
32 not be required of any member of the Teachers' Pension and  
33 Annuity Fund or the Public Employees' Retirement System who is  
34 enrolling in the retirement program pursuant to paragraph (5) of  
35 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), if such  
36 retirement system provides a benefit of a similar nature and the  
37 participant is covered by such a benefit at the time of enrollment in  
38 the program.

39 Any person who must furnish satisfactory evidence of  
40 insurability under the provisions of this section and who ceases to  
41 be a participant in the retirement program without such evidence  
42 having been given shall continue to be subject to the same  
43 requirement if the person subsequently becomes a participant.

44 (cf: P.L.2007, c.92, s.11)

45

46 15. Section 13 of P.L.2007, c.92 (C.43:15C-13) is amended to  
47 read as follows:

1       13. The disability benefit coverage provided under a group  
2 policy or policies shall provide a monthly income if the participant  
3 becomes totally disabled from occupational or nonoccupational  
4 causes for a period of at least six consecutive months following the  
5 effective date of the coverage. The monthly disability benefit may  
6 be paid by the insurance company so long as the participant remains  
7 disabled up to the seventieth birthday, provided the disability  
8 commenced prior to the sixtieth birthday. The benefit shall  
9 terminate when the participant is no longer considered totally  
10 disabled or begins to receive retirement benefits.

11       The participant shall be considered totally disabled if the  
12 participant is unable to perform each duty of the participant's  
13 occupation and is under the regular care of a physician. After the  
14 24 months following the commencement of such disability benefit  
15 payments, the participant shall be unable to engage in any gainful  
16 occupation for which the participant is reasonably fitted by  
17 education, training or experience. Total disability shall not be  
18 considered to exist if the participant is gainfully employed.  
19 Following an agreement with the insurance company and the  
20 policyholder, the participant may continue to receive disability  
21 benefits for a limited time while performing some type of work.  
22 During the period of rehabilitation, the monthly benefit shall be the  
23 regular payment less 80% of the participant's earnings from such  
24 rehabilitative position.

25       A participant shall be deemed to be in service and covered by the  
26 disability benefit insurance provisions for a period of no more than  
27 six months while on official leave of absence without pay if  
28 satisfactory evidence is presented to the Division of Pensions and  
29 Benefits that such leave of absence without pay is due to illness and  
30 that the participant was not actively engaged in any gainful  
31 occupation during such period of leave of absence without pay.

32       Disability benefit insurance provisions of the group policy or  
33 policies shall not cover disability resulting from or contributed to  
34 by pregnancy, act of war, intentionally self-inflicted injury, or  
35 attempted suicide whether or not sane. For purposes of such  
36 disability benefit coverage, the participant shall not be considered  
37 to be disabled while the participant is imprisoned or while outside  
38 the United States, its territories or possessions, or Canada.

39       If the participant has recovered from the disability for which the  
40 member had received benefits and again becomes totally disabled  
41 while insured, the later disability shall be regarded as a continuation  
42 of the prior one unless the participant has returned to full-time  
43 covered employment for at least six months. If the later absence is  
44 due to an unrelated cause and the participant had returned to full-  
45 time work, it shall be considered a new disability. The disability  
46 benefit insurance cannot be converted to an individual policy.

47       No participant shall be covered by the disability benefit  
48 provision of the group policy or policies except upon the

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1 completion of one year of full-time continuous employment in a  
2 position eligible for participation in the Defined Contribution  
3 Retirement Program. For a member who is a participant pursuant to  
4 paragraph (5) of subsection a. of section 2 of P.L.2007, c.92  
5 (C.43:15C-2), completion of one year of full-time continuous  
6 employment in a position eligible for membership in the Teachers'  
7 Pension and Annuity Fund or the Public Employees' Retirement  
8 System shall also be considered in determining if the participant  
9 met the requirements of this paragraph.  
10 (cf: P.L.2007, c.92, s.13)

11  
12 16. Section 14 of P.L.2007, c.92 (C.43:15C-14) is amended to  
13 read as follows:

14 14. The disability benefit provided under a group policy or  
15 policies shall be in an amount equal to 60% of the participant's base  
16 monthly salary, reduced by periodic benefits to which the  
17 participant may be entitled during the period of total disability. For  
18 a member who is a participant pursuant to paragraph (5) of  
19 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), base  
20 monthly salary for this disability benefit shall mean the base or  
21 contractual salary upon which contributions were made to the  
22 Teachers' Pension and Annuity Fund or the Public Employees'  
23 Retirement System and to this program.

24 The periodic benefit by which the monthly disability benefit may  
25 be reduced shall include salary or wages, retirement benefits or  
26 benefits from any source for which the State or other public  
27 employer has paid any part of the cost or made payroll deductions,  
28 Social Security disability or other benefits, including dependents'  
29 benefits, and benefits paid by Social Security at the option of the  
30 participant before the age of 65, but not including any increase in  
31 Social Security benefits enacted after the disability benefit under  
32 such group policy or policies have commenced, and any other  
33 periodic benefits provided by law except on account of military  
34 service.

35 When a participant begins to receive a disability benefit under  
36 such group policy or policies, the insurance company shall pay an  
37 amount equal to the employee contribution which would have been  
38 required of the participant and deducted from the participant's base  
39 salary in order to meet the participant's obligation for the program.  
40 Such amount shall be paid by the insurance company without  
41 reduction by any other periodic benefit which the participant is  
42 eligible to receive. Such amount shall be paid by the insurance  
43 company to the insurer or insurers for the participant's retirement  
44 annuity.

45 Premiums for such disability coverage shall be paid from a  
46 special fund, hereby created, called the "Defined Contribution  
47 Retirement Program Disability Premium Fund." The State  
48 Treasurer shall estimate annually the amount that will be required

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1 for premiums for such benefits for the ensuing fiscal year and shall  
2 certify such amounts that shall be applied to the total State and  
3 other employer contributions due on behalf of the participants in the  
4 retirement program from the State and other employers, depositing  
5 such amounts in the premium fund. Additionally, employers will  
6 pay their share of the administrative costs of the program. The  
7 intervals for all payments and the allocation of administrative costs  
8 shall be determined by the Division of Pensions and Benefits  
9 including due dates and penalties for non compliance.  
10 (cf: P.L.2007, c.92, s.14)

11

12 17. N.J.S.18A:66-15 is amended to read as follows:

13 18A:66-15. In computing for retirement or for purposes of  
14 resignation or separation from service under sections 18A:66-36  
15 and 18A:66-37 the total service of a member about to be retired, the  
16 retirement system shall credit him with all service rendered by him  
17 since he last became a member and in addition, with all the service  
18 to which he is entitled and with no other service. Except as  
19 otherwise provided in this article, such service credit shall be final  
20 and conclusive for retirement purposes, or for purposes of  
21 resignation under sections 18A:66-36 and 18A:66-37, unless the  
22 member shall discontinue his service for more than two consecutive  
23 years. In the case of a member for whom compensation is defined in  
24 paragraph (2) of subsection d. of N.J.S.18A:66-2, the retirement  
25 system shall credit the member with the time of all service rendered  
26 by the member during the part of any year that the member was a  
27 participant of the Defined Contribution Retirement Program,  
28 pursuant to paragraph (5) of subsection a. of section 2 of P.L.2007,  
29 c.92 (C.43:15C-2), and making contributions to that program.

30 For the purpose of computing service for retirement purposes,  
31 the board of trustees shall fix and determine by appropriate rules  
32 and regulations how much service in any year shall equal a year of  
33 service and part of a year of service. Not more than one year shall  
34 be credited for all service in a calendar year.

35 (cf: N.J.S.18A:66-15)

36

37 18. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to  
38 read as follows:

39 39. In computing for retirement purposes the total service of a  
40 member about to be retired, the retirement system shall credit the  
41 member with the time of all service rendered by the member since  
42 that member's last enrollment, and in addition with all the service to  
43 which the member is entitled and with no other service. Except as  
44 otherwise provided in this act, this service credit shall be final and  
45 conclusive for retirement purposes unless the member shall  
46 discontinue service for more than two consecutive years. In the  
47 case of a member for whom compensation is defined in paragraph  
48 (2) of subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the

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1 retirement system shall credit the member with the time of all  
2 service rendered by the member during the part of any year that the  
3 member was a participant of the Defined Contribution Retirement  
4 Program, pursuant to paragraph (5) of subsection a. of section 2 of  
5 P.L.2007, c.92 (C.43:15C-2), and making contributions to that  
6 program.

7 For the purpose of computing service for retirement purposes,  
8 the board shall fix and determine by appropriate rules and  
9 regulations how much service in any year shall equal a year of  
10 service and a part of a year of service. Not more than one year shall  
11 be credited for all service in a calendar year. A member may  
12 purchase credit for time during which the member shall have been  
13 absent on an official leave without pay. The credit shall be  
14 purchased for a period of time equal to:

15 (1) three months or the duration of the leave, whichever is less;  
16 or

17 (2) if the leave was due to the member's personal illness, two  
18 years or the duration of the leave, whichever is less; or

19 (3) the period of leave that is specifically allowed for retirement  
20 purposes by the provisions of any law of this State.

21 The purchase shall be made in the same manner and be subject to  
22 the same terms and conditions provided for the purchase of previous  
23 membership service credit by section 8 of P.L.1954, c.54  
24 (C.43:15A-8). In computing the service or in computing final  
25 compensation, no time during which a member was in employment,  
26 office, or position for which the annual salary or remuneration was  
27 fixed at less than \$500.00 in the case of service rendered prior to  
28 November 6, 1986, or less than \$1,500.00 in the case of service  
29 rendered on or after that date, shall be credited, except that in the  
30 case of a veteran member credit shall be given for service rendered  
31 prior to January 2, 1955, in an employment, office or position if the  
32 annual salary or remuneration therefor was fixed at not less than  
33 \$300.00 and such service consisted of the performance of the full  
34 duties of the employment, office or position.

35 (cf: P.L.1991, c.138, s.10)

36

37 19. Section 2 of P.L.1961, c.49 (C.52:14-17.26) is amended to  
38 read as follows:

39 2. As used in this act:

40 (a) The term "State" means the State of New Jersey.

41 (b) The term "commission" means the State Health Benefits  
42 Commission, created by section 3 of this act.

43 (c) The term "employee" means an appointive or elective officer  
44 or full-time employee of the State of New Jersey. For the purposes  
45 of this act an employee of Rutgers, The State University of New  
46 Jersey, shall be deemed to be an employee of the State, and an  
47 employee of the New Jersey Institute of Technology shall be  
48 considered to be an employee of the State during such time as the

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1 Trustees of the Institute are party to a contractual agreement with  
2 the State Treasurer for the provision of educational services. The  
3 term "employee" shall further mean, for purposes of this act, a  
4 former employee of the South Jersey Port Corporation, who is  
5 employed by a subsidiary corporation or other corporation, which  
6 has been established by the Delaware River Port Authority pursuant  
7 to subdivision (m) of Article I of the compact creating the Delaware  
8 River Port Authority (R.S.32:3-2), as defined in section 3 of  
9 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued  
10 membership in the Public Employees' Retirement System pursuant  
11 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

12 For the purposes of this act the term "employee" shall not  
13 include persons employed on a short-term, seasonal, intermittent or  
14 emergency basis, persons compensated on a fee basis, persons  
15 having less than two months of continuous service or persons whose  
16 compensation from the State is limited to reimbursement of  
17 necessary expenses actually incurred in the discharge of their  
18 official duties, provided, however, that the term "employee" shall  
19 include persons employed on an intermittent basis to whom the  
20 State has agreed to provide coverage under P.L.1961, c.49  
21 (C.52:14-17.25 et seq.) in accordance with a binding collective  
22 negotiations agreement. An employee paid on a 10-month basis,  
23 pursuant to an annual contract, will be deemed to have satisfied the  
24 two-month waiting period if the employee begins employment at  
25 the beginning of the contract year. The term "employee" shall also  
26 not include retired persons who are otherwise eligible for benefits  
27 under this act but who, although they meet the age or disability  
28 eligibility requirement of Medicare, are not covered by [the  
29 complete federal program] Medicare Hospital Insurance, also  
30 known as Medicare Part A, and Medicare Medical Insurance, also  
31 known as Medicare Part B. A determination by the commission  
32 that a person is an eligible employee within the meaning of this act  
33 shall be final and shall be binding on all parties.

34 (d) (1) The term "dependents" means an employee's spouse,  
35 partner in a civil union couple or an employee's domestic partner as  
36 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the  
37 employee's unmarried children under the age of 23 years who live  
38 with the employee in a regular parent-child relationship. "Children"  
39 shall include stepchildren, legally adopted children and children  
40 placed by the Division of Youth and Family Services in the  
41 Department of Children and Families, provided they are reported  
42 for coverage and are wholly dependent upon the employee for  
43 support and maintenance. A spouse, partner in a civil union couple,  
44 domestic partner or child enlisting or inducted into military service  
45 shall not be considered a dependent during the military service.  
46 The term "dependents" shall not include spouses, partners in a civil  
47 union couple or domestic partners of retired persons who are  
48 otherwise eligible for the benefits under this act but who, although

1 they meet the age or disability eligibility requirement of Medicare,  
2 are not covered by **【the complete federal program】** Medicare  
3 Hospital Insurance, also known as Medicare Part A, and Medicare  
4 Medical Insurance, also known as Medicare Part B.

5 (2) Notwithstanding the provisions of paragraph (1) of this  
6 subsection to the contrary and subject to the provisions of paragraph  
7 (3) of this subsection, for the purposes of an employer other than  
8 the State that is participating in the State Health Benefits Program  
9 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term  
10 "dependents" means an employee's spouse or partner in a civil  
11 union couple and the employee's unmarried children under the age  
12 of 23 years who live with the employee in a regular parent-child  
13 relationship. "Children" shall include stepchildren, legally adopted  
14 children and children placed by the Division of Youth and Family  
15 Services in the Department of Children and Families provided they  
16 are reported for coverage and are wholly dependent upon the  
17 employee for support and maintenance. A spouse , partner in a civil  
18 union couple or child enlisting or inducted into military service  
19 shall not be considered a dependent during the military service.  
20 The term "dependents" shall not include spouses or partners in a  
21 civil union couple of retired persons who are otherwise eligible for  
22 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,  
23 although they meet the age or disability eligibility requirement of  
24 Medicare, are not covered by **【the complete federal program】**  
25 Medicare Hospital Insurance, also known as Medicare Part A, and  
26 Medicare Medical Insurance, also known as Medicare Part B.

27 (3) An employer other than the State that is participating in the  
28 State Health Benefits Program pursuant to section 3 of P.L.1964,  
29 c.125 (C.52:14-17.34) may adopt a resolution providing that the  
30 term "dependents" as defined in paragraph (2) of this subsection  
31 shall include domestic partners as provided in paragraph (1) of this  
32 subsection.

33 (e) The term "carrier" means a voluntary association,  
34 corporation or other organization, including a health maintenance  
35 organization as defined in section 2 of the "Health Maintenance  
36 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully  
37 engaged in providing or paying for or reimbursing the cost of,  
38 personal health services, including hospitalization, medical and  
39 surgical services, under insurance policies or contracts, membership  
40 or subscription contracts, or the like, in consideration of premiums  
41 or other periodic charges payable to the carrier.

42 (f) The term "hospital" means (1) an institution operated  
43 pursuant to law which is primarily engaged in providing on its own  
44 premises, for compensation from its patients, medical diagnostic  
45 and major surgical facilities for the care and treatment of sick and  
46 injured persons on an inpatient basis, and which provides such  
47 facilities under the supervision of a staff of physicians and with 24  
48 hour a day nursing service by registered graduate nurses, or (2) an



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1 institution not meeting all of the requirements of (1) but which is  
2 accredited as a hospital by the Joint Commission on Accreditation  
3 of Hospitals. In no event shall the term "hospital" include a  
4 convalescent nursing home or any institution or part thereof which  
5 is used principally as a convalescent facility, residential center for  
6 the treatment and education of children with mental disorders, rest  
7 facility, nursing facility or facility for the aged or for the care of  
8 drug addicts or alcoholics.

9 (g) The term "State managed care plan" means a health care  
10 plan under which comprehensive health care services and supplies  
11 are provided to eligible employees, retirees, and dependents: (1)  
12 through a group of doctors and other providers employed by the  
13 plan; or (2) through an individual practice association, preferred  
14 provider organization, or point of service plan under which services  
15 and supplies are furnished to plan participants through a network of  
16 doctors and other providers under contracts or agreements with the  
17 plan on a prepayment or reimbursement basis and which may  
18 provide for payment or reimbursement for services and supplies  
19 obtained outside the network. The plan may be provided on an  
20 insured basis through contracts with carriers or on a self-insured  
21 basis, and may be operated and administered by the State or by  
22 carriers under contracts with the State.

23 (h) The term "Medicare" means the program established by the  
24 "Health Insurance for the Aged Act," Title XVIII of the "Social  
25 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
26 or its successor plan or plans.

27 (i) The term "traditional plan" means a health care plan which  
28 provides basic benefits, extended basic benefits and major medical  
29 expense benefits as set forth in section 5 of P.L.1961, c.49  
30 (C.52:14-17.29) by indemnifying eligible employees, retirees, and  
31 dependents for expenses for covered health care services and  
32 supplies through payments to providers or reimbursements to  
33 participants.

34 (j) The term "successor plan" means a State managed care plan  
35 that shall replace the traditional plan and that shall provide benefits  
36 as set forth in subsection (B) of section 5 of P.L.1961, c.49  
37 (C.52:14-17.29) with provisions regarding reimbursements and  
38 payments as set forth in paragraph (1) of subsection (C) of section 5  
39 of P.L.1961, c.49 (C.52:14-17.29).

40 (cf: P.L.2006, c.47, s.190)

41

42 20. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to  
43 read as follows:

44 3. There is hereby created a State Health Benefits Commission,  
45 consisting of five members: the State Treasurer; the Commissioner  
46 of Banking and Insurance; the Commissioner of Personnel; a State  
47 employees' representative chosen by the Public Employees'  
48 Committee of the AFL-CIO; and, through June 30, 2008, when

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1 employers of employees, as defined in section 32 of P.L. \_\_\_\_\_, c.  
2 (C. \_\_\_\_\_) (pending before the Legislature as this bill), will no longer  
3 be eligible to participate in the State Health Benefits Program  
4 authorized by P.L.1961, c.49, a representative chosen by the New  
5 Jersey Education Association, which represents the largest number  
6 of employees of employers other than the State participating in the  
7 State Health Benefits Program. Beginning July 1, 2008, the fifth  
8 member of the commission shall be a local employees'  
9 representative chosen by the Public Employees' Committee of the  
10 AFL-CIO.

11 The treasurer shall be chairman of the commission and the health  
12 benefits program authorized by P.L.1961, c.49 shall be administered  
13 in the Treasury Department. The Director of the Division of  
14 Pensions and Benefits shall be the secretary of the commission.  
15 The commission shall establish a health benefits program for the  
16 employees of the State, the cost of which shall be paid as specified  
17 in section 6 of P.L.1961, c.49. The commission shall establish rules  
18 and regulations as may be deemed reasonable and necessary for the  
19 administration of P.L.1961, c.49.

20 The Attorney General shall be the legal advisor of the  
21 commission.

22 The members of the commission shall serve without  
23 compensation but shall be reimbursed for any necessary  
24 expenditures. The public employee members shall not suffer loss of  
25 salary or wages during service on the commission.

26 The commission shall publish annually a report showing the  
27 fiscal transactions of the program for the preceding year and stating  
28 other facts pertaining to the plan. The commission shall submit the  
29 report to the Governor and furnish a copy to every employer for  
30 use of the participants and the public.

31 (cf: P.L.2003, c.71, s.1)

32

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

35 4. a. The commission shall negotiate with and arrange for the  
36 purchase, on such terms as it deems to be in the best interests of the  
37 State and its employees, from carriers licensed to operate in the  
38 State or in other jurisdictions, as appropriate, contracts providing  
39 hospital, surgical, obstetrical, **[medical and major medical expense]**  
40 and other covered health care services and benefits covering  
41 employees of the State and their dependents, and shall execute all  
42 documents pertaining thereto for and on behalf and in the name of  
43 the State.

44 **[The]** b. Except for contracts entered into after June 30, 2007,  
45 the commission shall not enter into a contract under this act unless  
46 the benefits provided thereunder equal or exceed the minimum  
47 standards specified in section 5 of P.L.1961, c.49 (C.52:14-17.29)  
48 for the particular coverage which such contract provides, and unless

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37

1 coverage is available to all eligible employees and their dependents  
2 on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-  
3 17.31), except that a State employee enrolled in the program on or  
4 after July 1, 2003 and all law enforcement officers employed by the  
5 State for whom there is a majority representative for collective  
6 negotiation purposes may not be eligible for coverage under the  
7 traditional plan as defined in section 2 of P.L.1961, c.49 (C.52:14-  
8 17.26) pursuant to a binding collective negotiations agreement or  
9 pursuant to the application by the commission, in its sole discretion,  
10 of the terms of any collective negotiations agreement binding on the  
11 State to State employees for whom there is no majority  
12 representative for collective negotiations purposes.

13 c. The commission shall not enter into a contract under  
14 P.L.1961, c.49 (C.52:14-17.25 et seq.) after June 30, 2007, unless  
15 the contract includes the successor plan and a State managed care  
16 plan that shall be substantially equivalent to the NJ PLUS plan in  
17 effect on June 30, 2007, with adjustments to that plan pursuant to a  
18 binding collective negotiations agreement or pursuant to action by  
19 the commission, in its sole discretion, to apply such adjustments to  
20 State employees for whom there is no majority representative for  
21 collective negotiations purposes, and unless coverage is available to  
22 all eligible employees and their dependents on the basis specified  
23 by section 7 of P.L.1961, c.49 (C.52:14-17.31), except as provided  
24 in subsection d. of this section.

25 d. Eligibility for coverage under the successor plan may be  
26 limited pursuant to a binding collective negotiations agreement or  
27 pursuant to the application by the commission, in its sole discretion,  
28 of the terms of any collective negotiations agreement binding on the  
29 State to State employees for whom there is no majority  
30 representative for collective negotiations purposes. Coverage under  
31 the successor plan and under the State managed care plan required  
32 to be included in a contract entered into pursuant to subsection c. of  
33 this section shall be made available in retirement to all State  
34 employees who accrued 25 years of nonconcurrent service credit in  
35 one or more State or locally-administered retirement systems before  
36 July 1, 2007. Coverage under the State managed care plan required  
37 to be included in a contract entered into pursuant to subsection c. of  
38 this section shall be made available in retirement to all State  
39 employees who accrue 25 years of nonconcurrent service credit in  
40 one or more State or locally-administered retirement systems on or  
41 after July 1, 2007.

42 e. Actions taken by the commission before the effective date of  
43 P.L. \_\_\_\_\_, c. \_\_\_\_\_ (pending before the Legislature as this bill) in  
44 anticipation of entering into any contract pursuant to subsection c.  
45 of this section are hereby deemed to have been within the authority  
46 of the commission pursuant to P.L.1961, c.49 (C.52:14-17.25 et  
47 seq.).

48 (cf: P.L.2005, c.341, s.1)

1       22. Section 6 of P.L.1996, c.8 (C.52:14-17.28b) is amended to  
2 read as follows:

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

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

37       (2) Notwithstanding the provisions of any other law to the  
38 contrary, and except as otherwise provided by section 8 of  
39 P.L.1961, c.49 (C.52:14-17.32) as amended by P.L.2005, c.341, and  
40 by subsection c. of this section, for each State employee who  
41 accrues 25 years of nonconcurrent service credit in one or more  
42 State or locally-administered retirement systems on or after July 1,  
43 1997, excepting the employee who elects deferred retirement, the  
44 State, upon the employee's retirement, shall pay the premium or  
45 periodic charges for the health benefits provided to a retired State  
46 employee and dependents covered under the State Health Benefits  
47 Program, but not including survivors, and shall reimburse the  
48 retired employee for premium charges under Part B of Medicare

1 covering the retired employee and the employee's spouse: (a) in  
2 accordance with the provisions, if any, concerning health benefits  
3 coverage in retirement which are in the collective negotiations  
4 agreement applicable to the employee at the time of the employee's  
5 accrual of 25 years of nonconcurrent service credit in one or more  
6 State or locally-administered retirement systems, or (b) if the  
7 employee has no majority representative for collective negotiations  
8 purposes, in a manner consistent with the terms, if any, concerning  
9 health benefits coverage in retirement which are in any collective  
10 negotiations agreement deemed applicable by the State Health  
11 Benefits Commission to that employee at the time of the employee's  
12 accrual of 25 years of nonconcurrent service credit in one or more  
13 State or locally-administered retirement systems. The terms for the  
14 payment of premiums or periodic charges established pursuant to  
15 this paragraph for the traditional plan shall apply to the successor  
16 plan, and the terms for the payment of premiums or periodic  
17 charges established pursuant to this paragraph for the NJ PLUS plan  
18 shall apply to the State managed care plan required to be included  
19 in a contract entered into pursuant to subsection c. of section 4 of  
20 P.L.1961, c.49 (C.52:14-17.28).

21 c. (1) Effective July 1, 2007, but, with respect to employees to  
22 whom this subsection applies who are paid through the State  
23 centralized payroll, effective with the first pay period beginning  
24 after July 1, 2007, the cost of benefits provided pursuant to  
25 P.L.1961, c.49 (C.52:14-17.25 et seq.) shall be shared by employees  
26 through the withholding of a contribution in an amount as  
27 determined in accordance with paragraph (2) of this subsection.

28 (2) The amount of the contribution required pursuant to  
29 paragraph (1) of this subsection as to State employees and  
30 employees of an independent State authority, board, commission,  
31 corporation, agency, or organization for whom there is a majority  
32 representative for collective negotiations purposes shall be  
33 determined by means of a binding collective negotiations  
34 agreement. The amount of the contribution required pursuant to  
35 paragraph (1) of this subsection as to State employees or employees  
36 of an independent State authority, board, commission, corporation,  
37 agency, or organization for whom there is no majority  
38 representative for collective negotiations purposes shall be 1.5  
39 percent of base salary.

40 (3) The cost of benefits provided pursuant to P.L.1961, c.49  
41 (C.52:14-17.25 et seq.) shall be shared by retirees through the  
42 withholding of a contribution in an amount as determined in  
43 accordance with paragraph (4) of this subsection.

44 (4) The amount of the contribution required pursuant to  
45 paragraph (3) of this subsection as to State employees and  
46 employees of an independent State authority, board, commission,  
47 corporation, agency, or organization for whom there is a majority  
48 representative for collective negotiations purposes who accrue 25

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1 years of nonconcurrent service credit in one or more State or  
2 locally-administered retirement systems on or after July 1, 2007,  
3 and who retire on or after July, 1, 2007, excepting employees who  
4 elect deferred retirement, but including those who retire on a  
5 disability pension after July 1, 2007, shall be determined by means  
6 of a binding collective negotiations agreement applicable at the  
7 time of the employee's accrual of 25 years of nonconcurrent service  
8 credit in one or more State or locally-administered retirement  
9 systems. The amount of the contribution required pursuant to  
10 paragraph (3) of this subsection as to State employees or employees  
11 of an independent State authority, board, commission, corporation,  
12 agency, or organization for whom there is no majority  
13 representative for collective negotiations purposes who accrue 25  
14 years of nonconcurrent service credit in one or more State or  
15 locally-administered retirement systems on or after July 1, 2007,  
16 and who retire on or after July 1, 2007, excepting employees who  
17 elect deferred retirement, but including those who retire on a  
18 disability pension after July 1, 2007, shall be determined in a  
19 manner consistent with the terms, if any, concerning health benefits  
20 coverage in retirement which are in any collective negotiations  
21 agreement deemed applicable by the commission to that employee  
22 at the time of the employee's accrual of 25 years of nonconcurrent  
23 service credit in one or more State or locally-administered  
24 retirement systems, except that for employees who accrue 25 years  
25 of nonconcurrent service credit in one or more State or locally-  
26 administered retirement systems in the period beginning July 1,  
27 2007, and ending June 30, 2011, the contribution shall be 1.5  
28 percent of the gross maximum monthly retirement allowance,  
29 including any future cost-of-living adjustments, or, with respect to  
30 retirees who are members of the alternate benefit program, an  
31 amount determined pursuant to a formula developed by the  
32 commission that shall be designed to result in a contribution that is  
33 comparable to the contribution that applies to retirees who are not  
34 members of the alternate benefit program.

35 (5) Any employee or retiree from whom withholding of a  
36 contribution is required pursuant to this subsection shall not be  
37 required to pay any percentage of the premiums or periodic charges  
38 for health care benefits provided under P.L.1961, c.49 (C.52:14-  
39 17.25 et seq.), other than dental benefits.

40 (6) The contribution required pursuant to this subsection may be  
41 terminated only upon withdrawal from all health care benefits  
42 coverage as an employee or retiree, other than coverage for dental  
43 benefits, and the submission to the commission of written  
44 certification by the employee that the employee is covered by other  
45 health care benefits and that those benefits are in force. The  
46 commission shall not apply the written certification requirement to

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1 retirees or to employees to whom Article VI, Section VI, paragraph  
2 6 of the New Jersey Constitution applies.

3 (cf: P.L.2005, c.341, s.2)

4

5 23. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to  
6 read as follows:

7 5. (A) The contract or contracts purchased by the commission  
8 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
9 17.28) shall provide separate coverages or policies as follows:

10 (1) Basic benefits which shall include:

11 (a) Hospital benefits, including outpatient;

12 (b) Surgical benefits;

13 (c) Inpatient medical benefits;

14 (d) Obstetrical benefits; and

15 (e) Services rendered by an extended care facility or by a home  
16 health agency and for specified medical care visits by a physician  
17 during an eligible period of such services, without regard to  
18 whether the patient has been hospitalized, to the extent and subject  
19 to the conditions and limitations agreed to by the commission and  
20 the carrier or carriers.

21 Basic benefits shall be substantially equivalent to those available  
22 on a group remittance basis to employees of the State and their  
23 dependents under the subscription contracts of the New Jersey  
24 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall  
25 include benefits for:

26 (i) Additional days of inpatient medical service;

27 (ii) Surgery elsewhere than in a hospital;

28 (iii) X-ray, radioactive isotope therapy and pathology services;

29 (iv) Physical therapy services;

30 (v) Radium or radon therapy services;

31 and the extended basic benefits shall be subject to the same  
32 conditions and limitations, applicable to such benefits, as are set  
33 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,  
34 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS  
35 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue  
36 Shield" Plans, respectively, and as the same may be amended or  
37 superseded, subject to filing by the Commissioner of Banking and  
38 Insurance; and

39 (2) Major medical expense benefits which shall provide benefit  
40 payments for reasonable and necessary eligible medical expenses  
41 for hospitalization, surgery, medical treatment and other related  
42 services and supplies to the extent they are not covered by basic  
43 benefits. The commission may, by regulation, determine what types  
44 of services and supplies shall be included as "eligible medical  
45 services" under the major medical expense benefits coverage as  
46 well as those which shall be excluded from or limited under such  
47 coverage. Benefit payments for major medical expense benefits  
48 shall be equal to a percentage of the reasonable charges for eligible

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1 medical services incurred by a covered employee or an employee's  
2 covered dependent, during a calendar year as exceed a deductible  
3 for such calendar year of \$100.00 subject to the maximums  
4 hereinafter provided and to the other terms and conditions  
5 authorized by this act. The percentage shall be 80% of the first  
6 \$2,000.00 of charges for eligible medical services incurred  
7 subsequent to satisfaction of the deductible and 100% thereafter.  
8 There shall be a separate deductible for each calendar year for (a)  
9 each enrolled employee and (b) all enrolled dependents of such  
10 employee. Not more than \$1,000,000.00 shall be paid for major  
11 medical expense benefits with respect to any one person for the  
12 entire period of such person's coverage under the plan, whether  
13 continuous or interrupted except that this maximum may be  
14 reapplied to a covered person in amounts not to exceed \$2,000.00 a  
15 year. Maximums of \$10,000.00 per calendar year and \$20,000.00  
16 for the entire period of the person's coverage under the plan shall  
17 apply to eligible expenses incurred because of mental illness or  
18 functional nervous disorders, and such may be reapplied to a  
19 covered person, except as provided in P.L.1999, c.441 (C.52:14-  
20 17.29d et al.). The same provisions shall apply for retired  
21 employees and their dependents. Under the conditions agreed upon  
22 by the commission and the carriers as set forth in the contract, the  
23 deductible for a calendar year may be satisfied in whole or in part  
24 by eligible charges incurred during the last three months of the prior  
25 calendar year.

26 Any service determined by regulation of the commission to be an  
27 "eligible medical service" under the major medical expense benefits  
28 coverage which is performed by a duly licensed practicing  
29 psychologist within the lawful scope of his practice shall be  
30 recognized for reimbursement under the same conditions as would  
31 apply were such service performed by a physician.

32 (B) The contract or contracts purchased by the commission  
33 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
34 17.28) shall include coverage for the services and benefits set forth  
35 in this subsection, provided that such services and benefits shall  
36 include only those that are eligible medical services and not those  
37 deemed experimental, investigative or otherwise not eligible  
38 medical services. The determination of whether services or benefits  
39 are eligible medical services shall be made by the commission  
40 consistent with the best interests of the State and participating  
41 employers, employees, and dependents. The following list of  
42 services is not intended to be exclusive or to require that any limits  
43 or exclusions be exceeded.

44 Covered services shall include:

45 (1) Physician services, including:

46 (a) Inpatient services, including:

47 (i) medical care including consultations;

48 (ii) surgical services and services related thereto; and



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- 1           (iii) obstetrical services including normal delivery,  
2           cesarean section, and abortion.  
3           **(b) Outpatient/out-of-hospital services, including:**  
4           (i) office visits for covered services and care;  
5           (ii) allergy testing and related diagnostic/therapy  
6           services;  
7           (iii) dialysis center care;  
8           (iv) maternity care;  
9           (v) well child care;  
10          (vi) child immunizations/lead screening;  
11          (vii) routine adult physicals including pap,  
12          mammography, and prostate examinations; and  
13          (viii) annual routine obstetrical/gynecological exam.  
14          **(2) Hospital services, both inpatient and outpatient, including:**  
15          (a) room and board;  
16          (b) intensive care and other required levels of care;  
17          (c) semi-private room;  
18          (d) therapy and diagnostic services;  
19          (e) surgical services or facilities and treatment related  
20          thereto;  
21          (f) nursing care;  
22          (g) necessary supplies, medicines, and equipment for care;  
23          and  
24          (h) maternity care and related services.  
25          **(3) Other facility and services, including:**  
26          (a) approved treatment centers for medical  
27          emergency/accidental injury;  
28          (b) approved surgical center;  
29          (c) hospice;  
30          (d) chemotherapy;  
31          (e) diagnostic x-ray and lab tests;  
32          (f) ambulance;  
33          (g) durable medical equipment;  
34          (h) prosthetic devices;  
35          (i) foot orthotics;  
36          (j) diabetic supplies and education; and  
37          (k) oxygen and oxygen administration.  
38          **(4) All services for which coverage is required pursuant to**  
39          P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and  
40          supplemented. Benefits under the contract or contracts purchased  
41          as authorized by the State Health Benefits Program shall include  
42          those for mental health services subject to limits and exclusions  
43          consistent with the provisions of the New Jersey State Health  
44          Benefits Program Act.  
45          **(C) The contract or contracts purchased by the commission**  
46          pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-  
47          17.28) shall include the following provisions regarding  
48          reimbursements and payments:

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1       (1) In the successor plan, the co-payment for doctor's office  
2 visits shall be \$10 per visit with a maximum out-of-pocket of \$400  
3 per individual and \$1,000 per family for in-network services for  
4 each calendar year. The out-of-network deductible shall be \$100  
5 per individual and \$250 per family for each calendar year, and the  
6 participant shall receive reimbursement for out-of-network charges  
7 at the rate of 80% of reasonable and customary charges, provided  
8 that the out-of-pocket maximum shall not exceed \$2,000 per  
9 individual and \$5,000 per family for each calendar year.

10       (2) In the State managed care plan that is required to be included  
11 in a contract entered into pursuant to subsection c. of section 4 of  
12 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office  
13 visits shall be \$15 per visit. The participant shall receive  
14 reimbursement for out-of-network charges at the rate of 70% of  
15 reasonable and customary charges. The in-network and out-of-  
16 network limits, exclusions, maximums, and deductibles shall be  
17 substantially equivalent to those in the NJ PLUS plan in effect on  
18 June 30, 2007, with adjustments to that plan pursuant to a binding  
19 collective negotiations agreement or pursuant to action by the  
20 commission, in its sole discretion, to apply such adjustments to  
21 State employees for whom there is no majority representative for  
22 collective negotiations purposes.

23       (3) "Reasonable and customary charges" means charges based  
24 upon the 90th percentile of the usual, customary, and reasonable  
25 (UCR) fee schedule determined by the Health Insurance  
26 Association of America or a similar nationally recognized database  
27 of prevailing health care charges.

28       **[(B)] (D)** Benefits under the contract or contracts purchased as  
29 authorized by this act may be subject to such limitations,  
30 exclusions, or waiting periods as the commission finds to be  
31 necessary or desirable to avoid inequity, unnecessary utilization,  
32 duplication of services or benefits otherwise available, including  
33 coverage afforded under the laws of the United States, such as the  
34 federal Medicare program, or for other reasons.

35       Benefits under the contract or contracts purchased as authorized  
36 by this act shall include those for the treatment of alcoholism where  
37 such treatment is prescribed by a physician and shall also include  
38 treatment while confined in or as an outpatient of a licensed  
39 hospital or residential treatment program which meets minimum  
40 standards of care equivalent to those prescribed by the Joint  
41 Commission on Hospital Accreditation. No benefits shall be  
42 provided beyond those stipulated in the contracts held by the State  
43 Health Benefits Commission.

44       **[(C)] (E)** The rates charged for any contract purchased under  
45 the authority of this act shall reasonably and equitably reflect the  
46 cost of the benefits provided based on principles which in the  
47 judgment of the commission are actuarially sound. The rates  
48 charged shall be determined by the carrier on accepted group rating

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1 principles with due regard to the experience, both past and  
2 contemplated, under the contract. The commission shall have the  
3 right to particularize subgroups for experience purposes and rates.  
4 No increase in rates shall be retroactive.

5 ~~[(D)]~~ (E) The initial term of any contract purchased by the  
6 commission under the authority of this act shall be for such period  
7 to which the commission and the carrier may agree, but permission  
8 may be made for automatic renewal in the absence of notice of  
9 termination by the commission. Subsequent terms for which any  
10 contract may be renewed as herein provided shall each be limited to  
11 a period not to exceed one year.

12 ~~[(E) The]~~ (G) A contract purchased by the commission  
13 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-  
14 17.28) shall contain a provision that if basic benefits or major  
15 medical expense benefits of an employee or of an eligible  
16 dependent under the contract, after having been in effect for at least  
17 one month in the case of basic benefits or at least three months in  
18 the case of major medical expense benefits, is terminated, other  
19 than by voluntary cancellation of enrollment, there shall be a 31-  
20 day period following the effective date of termination during which  
21 such employee or dependent may exercise the option to convert,  
22 without evidence of good health, to converted coverage issued by  
23 the carriers on a direct payment basis. Such converted coverage  
24 shall include benefits of the type classified as "basic benefits" or  
25 "major medical expense benefits" in subsection (A) hereof and shall  
26 be equivalent to the benefits which had been provided when the  
27 person was covered as an employee. The provision shall further  
28 stipulate that the employee or dependent exercising the option to  
29 convert shall pay the full periodic charges for the converted  
30 coverage which shall be subject to such terms and conditions as are  
31 normally prescribed by the carrier for this type of coverage.

32 ~~[(F)]~~ (H) The commission may purchase a contract or contracts  
33 to provide drug prescription and other health care benefits or  
34 authorize the purchase of a contract or contracts to provide drug  
35 prescription and other health care benefits as may be required to  
36 implement a duly executed collective negotiations agreement or as  
37 may be required to implement a determination by a public employer  
38 to provide such benefit or benefits to employees not included in  
39 collective negotiations units.

40 (I) The commission shall take action as necessary, in  
41 cooperation with the School Employees' Health Benefits  
42 Commission established pursuant to section 33 of P.L. , c.  
43 (C. ) (pending before the Legislature as this bill), to effectuate  
44 the purposes of the School Employees' Health Benefits Program  
45 Act as provided in sections 31 through 41 of P.L. , c. (C. )  
46 (pending before the Legislature as this bill) and to enable the  
47 School Employees' Health Benefits Commission to begin providing

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1 coverage to participants pursuant to the School Employees' Health  
2 Benefits Program Act as of July 1, 2008.

3 (cf: P.L.1999, c.441, s.3)

4

5 24. Section 1 of P.L.2001, c.284 (C.52:14-17.29g) is amended to  
6 read as follows:

7 1. a. The State Health Benefits Commission shall ensure that  
8 every contract purchased by the commission on or after the  
9 effective date of **[this act]** P.L.2001, c.284 (C.52:14-17.29g)  
10 provides that if an enrollee's or member's primary care physician's  
11 contract as a participating physician in a health maintenance  
12 organization or **[NJ PLUS]** State managed care plan will be  
13 terminated, the health maintenance organization or **[NJ PLUS]**  
14 State managed care plan, as appropriate, shall provide the enrollee  
15 or member with 90-days notice of the termination. If 90-days  
16 notice cannot be provided because the termination will occur prior  
17 to the end of the 90-day period, the health maintenance organization  
18 or **[NJ PLUS]** State managed care plan shall notify the enrollee or  
19 member as soon as the health maintenance organization or **[NJ**  
20 **PLUS]** State managed care plan has knowledge of the termination.

21 b. Notwithstanding the provisions of any policy governing  
22 open enrollment to the contrary, an enrollee or member who has  
23 been notified by a health maintenance organization or **[NJ PLUS]**  
24 State managed care plan pursuant to this section may change his  
25 coverage to another health benefits plan under the State Health  
26 Benefits Program upon receiving notice that his primary care  
27 physician will no longer be a participating physician with the health  
28 maintenance organization or **[NJ PLUS]** State managed care plan,  
29 in which the person is currently enrolled.

30 (cf: P.L.2001, c.284, s.1)

31

32 25. Section 7 of P.L.1961, c.49 (C.52:14-17.31) is amended to  
33 read as follows:

34 7. The coverage provided solely for employees shall, subject to  
35 the provisions below, automatically become effective for all eligible  
36 employees from the first day on or after the effective date of the  
37 program on which they satisfy the definition of "employee"  
38 contained in this act. The commission shall establish the rules and  
39 regulations governing the enrollment and effective dates of  
40 coverage of dependents of employees it deems necessary or  
41 desirable. The rules and regulations shall not defer coverage with  
42 respect to any qualified dependent an employee has on the date the  
43 employee's employer becomes a participating employer, provided  
44 the employee was, immediately prior to the date, insured with  
45 respect to the dependent under a group **[major medical]** insurance  
46 plan of the employer which was in effect immediately prior to the  
47 date. Under the rules and regulations established by the

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47

1 commission, each employee shall be given the opportunity to enroll  
2 for coverage for dependents as of the earliest date the employee  
3 becomes eligible for enrollment. **[An]** With respect to the  
4 traditional plan, an employee may elect to enroll dependents for  
5 both basic coverage and major medical expense coverage but may  
6 not enroll for either coverage alone.

7 **[If, on the date coverage for an employee would become**  
8 **effective, the employee is not actively at work full- time at the**  
9 **customary place of employment or other location to which the**  
10 **employment requires the employee to travel, the employee shall not**  
11 **be covered until the employee is so actively at work, except the**  
12 **employee shall be covered, if on the date the employee's employer**  
13 **becomes a participating employer, the employee was, immediately**  
14 **prior to that date, insured under a group major medical insurance**  
15 **plan of the employer which was in effect immediately prior to that**  
16 **date.]**

17 In the event that the group **[major medical]** health plan which  
18 covered an employee or dependents immediately prior to the date  
19 the employee's employer becomes a participating employer  
20 provides, after termination of coverage thereunder, any continuation  
21 of benefits **[for medical expenses for hospitalization, surgery,**  
22 **medical treatment or any related service or supply]**, or would so  
23 provide in the absence of coverage pursuant to this act, no coverage  
24 shall be afforded pursuant to this act for any such expenses (i)  
25 which are covered, or which would be covered in the absence of  
26 coverage pursuant to this act, in whole or in part, by the prior  
27 insurance plan or (ii) which may be used in satisfaction of any  
28 deductible requirement under the prior insurance plan to establish  
29 entitlement to the continuation of benefits.

30 Each employee shall furnish the Division of Pensions and  
31 Benefits, in the prescribed form, the information necessary on  
32 account of the employee's own coverage and necessary to enroll  
33 dependents. Any employee not desiring coverage at the time the  
34 employee first becomes eligible, shall give the division written  
35 notice of that fact in the form prescribed by the division. The  
36 employee may not enroll thereafter except at the times and under  
37 the conditions prescribed by the commission.

38 If an employee of an employer other than the State eligible for  
39 coverage has a spouse who is also an employee of an employer  
40 other than the State eligible for coverage, the spouse may elect  
41 single coverage as an employee and to enroll as a dependent, in  
42 which event no coverage shall be provided for such spouse as an  
43 employee while covered as a dependent. The employee of an  
44 employer other than the State, who has enrolled such spouse, and  
45 who is required to pay the full cost of dependent coverage, may  
46 receive a refund from the State Division of Pensions and Benefits  
47 equivalent in amount to the employer's cost for an employee's

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1 coverage. When both husband and wife are covered as employees,  
2 only one may enroll for their children as dependents.

3 A similar refund shall be authorized pursuant to such rules and  
4 regulations as the commission deems necessary or desirable in the  
5 case of an employee of an employer other than the State who is  
6 paying the full cost of dependent coverage for a spouse who is an  
7 employee of the State and eligible for coverage.

8 If a husband and wife are both eligible for coverage under the  
9 program as employees:

10 a. each may elect coverage for himself or herself as an  
11 employee and for their qualified dependents, including the spouse,  
12 **【under the traditional plan or the State managed care plan】** in any  
13 plan offered other than a health maintenance organization, but only  
14 one may elect coverage for himself or herself and for their qualified  
15 dependents, including the spouse, in a participating health  
16 maintenance organization; and

17 b. each may elect single coverage in any participating health  
18 maintenance organization, provided that he or she is not covered  
19 under the participating health maintenance organization as a  
20 dependent of his or her spouse.

21 Any person employed as a substitute teacher by a school district  
22 and who provides evidence of coverage under another health  
23 benefits program may waive coverage for the current school year on  
24 or after the date on which the person becomes an employee eligible  
25 for coverage.

26 (cf: P.L.1996, c.8, s.5)

27

28 26. Section 1 of P.L.2003, c.142 (C.52:14-17.32n) is amended to  
29 read as follows:

30 1. a. A qualified member of the organized militia, as defined in  
31 N.J.S.38A:1-1, and the member's dependents, as defined in section  
32 2 of P.L.1961, c.49 (C.52:14-17.26), shall be eligible to participate  
33 in the State Health Benefits Program and be covered under the  
34 "State managed care plan", as defined in section 2 of P.L.1961, c.49  
35 (C.52:14-17.26), in accordance with the law and rules governing the  
36 program and plan, except as otherwise provided by this act,  
37 P.L.2003, c.142 (C.52:14-17.32n). **【Notwithstanding any other law**  
38 **to the contrary, a qualified member of the organized militia and the**  
39 **member's dependants shall be enrolled in NJ Plus.】**

40 A qualified member is a member who is called to State active  
41 duty by an order of the Governor issued pursuant to law, when the  
42 written order directly applicable to that member states that active  
43 duty shall be for a period of 30 days within a 35 consecutive day  
44 period, provided the member (1) is not a compensated, full-time  
45 appointed or elected public officer or employee of the State or any  
46 political subdivision thereof when called to active duty; (2) had  
47 employer-provided health care benefits coverage that was cancelled  
48 due to the member's military service or does not have employer-

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1 provided health care benefits coverage; and (3) is not covered for  
2 health care benefits under a program, plan or policy as a dependent  
3 of the member's spouse when called to active duty. For the limited  
4 purpose of this act, a qualified member shall be deemed a State  
5 employee, as defined in section 2 of P.L.1961, c.49 (C.52:14-  
6 17.26).

7 The member may waive coverage provided pursuant to this  
8 section by notifying the Division of Pensions and Benefits in  
9 writing.

10 b. The Department of Military and Veterans' Affairs shall  
11 notify the Division of Pensions and Benefits of the members who  
12 are eligible for health care benefits coverage pursuant to this  
13 section, and shall notify the members themselves of the coverage  
14 provided, by whatever means deemed efficient and expeditious.

15 c. The State Health Benefits Program shall not provide  
16 coverage for health care services and supplies provided to a member  
17 or the member's dependents prior to first day of active duty. The  
18 department, or the member when so requested, shall provide to the  
19 division all information necessary on account of the member's  
20 coverage and to enroll the member's dependents pursuant to  
21 applicable law and regulations governing the program and plan. If  
22 information is not provided to the division in a timely manner,  
23 coverage shall commence only upon receipt by the division of all  
24 information deemed necessary by the division to provide the  
25 coverage. The division shall make such accommodation and  
26 provision for the addition of the member and the member's  
27 dependents to the program and plan as may be necessary under the  
28 circumstances.

29 d. The coverage provided pursuant to this section shall be  
30 extended for health care services and supplies commencing on the  
31 first day of active duty service until the last day of active duty  
32 service, provided the information requirements in subsection c. of  
33 this section are met in a timely manner.

34 e. The State shall be liable for the premium or periodic charges  
35 for the coverage for the qualified member and member's  
36 dependents, including the program's expenses for the administration  
37 of this section, in such amount as determined and fixed by the State  
38 Health Benefits Commission. The commission shall annually  
39 certify to the State the cost for providing health care benefits  
40 coverage to qualified members and their dependents under this  
41 section. The State shall annually remit to the commission the  
42 amount certified at a time specified by the State Treasurer.

43 f. If a member or the member's dependents, or both, have  
44 health care benefits coverage, other than through the member's  
45 spouse, immediately preceding the call to active duty and that  
46 coverage continues, or is eligible to continue, during active duty  
47 status, the coverage provided pursuant to this section shall only be  
48 secondary to that primary coverage and shall not cover expenses

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1 which are covered, or which would be covered in the absence of  
2 coverage pursuant to this section, in whole or in part, by that prior  
3 existing coverage. If that coverage is terminated through the action  
4 or inaction of the member, the member's spouse or the member's  
5 employer, other than pursuant to terms and conditions in effect  
6 immediately preceding the call to active duty, the coverage under  
7 this section shall also terminate.

8 This section shall not be deemed to replace, supersede or modify  
9 health care benefits coverage received by the member, the member's  
10 spouse or dependents immediately preceding the call to active duty.

11 g. Health care benefits coverage shall be provided pursuant to  
12 this section only if the provision of such coverage by the State  
13 Health Benefits Program does not violate applicable federal statutes  
14 in a manner that would change the nature, governance or status of  
15 the program.

16 h. The Treasurer, in consultation with the Adjutant General,  
17 shall adopt regulations to effectuate the purposes of this act  
18 pursuant to the "Administrative Procedure Act", P.L.1968, c.410  
19 (C.52:14B-1 et seq.), except that the Treasurer may immediately  
20 adopt regulations the Division of Pensions and Benefits deems  
21 necessary to implement the provisions of this act, upon the filing of  
22 such regulations with the Office of Administrative Law.

23 (cf: P.L.2003, c.142, s.1)

24

25 27. Section 1 of P.L.2003, c.172 (C.52:14-17.33a) is amended to  
26 read as follows:

27 1. a. Notwithstanding any provision of P.L.1961, c. 49 (C.52:14-  
28 17.25 et seq.) to the contrary, a part-time State employee, or a part-  
29 time faculty member, including part-time lecturers and adjunct  
30 faculty members, at a State public institution of higher education in  
31 this State if the public institution of higher education participates in  
32 the program, who is enrolled in a State-administered retirement  
33 system shall be eligible to participate in the State Health Benefits  
34 Program and may purchase health benefits coverage under the  
35 program in the State managed care plan as defined in section 2 of  
36 P.L.1961, c.49 (C.52:14-17.26) for the employee or faculty member  
37 and the dependents of the employee or faculty member. If such an  
38 employee or faculty member elects to enroll in the program, the  
39 employee or faculty member shall pay the full cost of the coverage  
40 selected and the employer shall not be responsible for any costs in  
41 connection with the purchase of the coverage, unless the employer  
42 shall be obligated to pay all or a portion of such costs in accordance  
43 with the provisions of a binding collective negotiations agreement.

44 b. The State Health Benefits Commission may establish rules  
45 and regulations concerning the enrollment and termination of  
46 coverage of employees and faculty members in the State Health  
47 Benefits Program, pursuant to this section, and the procedures for  
48 the remittance to the program of the cost of coverage.



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1 The employee or faculty member shall also be required to pay a  
2 proportionate share of administrative expenses of the program in  
3 such amounts and at such times as shall be determined and fixed by  
4 the commission. Amounts payable by a participating employee or  
5 faculty member for administrative expenses shall be collected in the  
6 same manner as premiums or periodic charges are paid and remitted  
7 to the State treasury and shall be used for such purposes.

8 c. The laws and regulations governing the State Health  
9 Benefits Program, except as modified in this section, are applicable  
10 to enrollments in the program under this section and shall be  
11 construed to apply to part-time employees or faculty members and  
12 their dependents in the same manner as to full-time employees or  
13 faculty members and their dependents to the extent possible.

14 d. Participation in the State Health Benefits Program pursuant  
15 to this section shall not qualify the employee or faculty member for  
16 employer or State-paid health care benefits in retirement in the  
17 program. Upon retirement, such employees or faculty members  
18 shall be permitted to enroll in the State managed care plan they  
19 were enrolled in prior to retirement through the retired group at  
20 their own expense.

21 e. The State Health Benefits Commission shall advise eligible  
22 employees, and the State public institutions of higher education  
23 shall advise eligible faculty members, that they may enroll in the  
24 State Health Benefits Program pursuant to this section and shall  
25 further advise eligible employees and faculty members, as may be  
26 appropriate, of any benefits to which they are entitled upon the  
27 termination of their employment. The State Health Benefits  
28 Commission shall determine the manner and form of the advisory  
29 notice to the employees and faculty members.

30 (cf: P.L.2003, c.172, s.1)

31

32 28. Section 3 of P.L.1964, c.125 (C.52:14-17.34) is amended to  
33 read as follows:

34 3. In order that the New Jersey State Health Benefits Program  
35 Act may be extended to include other public **[and school]**  
36 employees, participation by counties, municipalities, **[school**  
37 **districts,]** public agencies or organizations as defined in section 71  
38 of P.L.1954, c.84 (C.43:15A-71), including the New Jersey  
39 Turnpike Authority, **[the New Jersey Highway Authority,]** the  
40 Interstate Environmental Commission, the Delaware River Basin  
41 Commission, New Jersey Housing and Mortgage Finance Agency,  
42 New Jersey Educational Facilities Authority, **[Hackensack]** New  
43 Jersey Meadowlands **[Development]** Commission and the  
44 Compensation Rating and Inspection Bureau, hereinafter defined as  
45 employers, is hereby authorized, provided, however, that no such  
46 employer shall enroll for coverage under the State Health Benefits  
47 Program pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.)

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1 employees as defined in section 32 of P.L. , c. (C. ) (pending  
2 before the Legislature as this bill) .

3 (cf: P.L.2000, c.6, s.18)

4

5 29. Section 4 of P.L.1964, c.125 (C.52:14-17.35) is amended to  
6 read as follows:

7 4. As used in this act and in the act to which this act is a  
8 supplement:

9 (a) The term "employer" means a county, municipality, [school  
10 district,] public agency or organization as defined in section 71 of  
11 P.L.1954, c.84 (C.43:15A-71), including the New Jersey Turnpike  
12 Authority, [the New Jersey Highway Authority,] the Interstate  
13 Environmental Commission, the Delaware River Basin  
14 Commission, New Jersey Housing and Mortgage Finance Agency,  
15 New Jersey Educational Facilities Authority, [Hackensack] New  
16 Jersey Meadowlands [Development] Commission and the  
17 Compensation Rating and Inspection Bureau. The term "employer"  
18 shall include a subsidiary corporation or other corporation  
19 established by the Delaware River Port Authority pursuant to  
20 subdivision (m) of Article I of the compact creating the authority  
21 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-  
22 146), except that only persons who are employees of the South  
23 Jersey Port Corporation on the effective date of P.L.1997, c.150  
24 (C.34:1B-144 et al.) and are re-employed by the subsidiary or other  
25 corporation within 365 days of the effective date are eligible to  
26 participate in the program.

27 (b) The term "State Treasury" means the State agency  
28 responsible for the administration of the New Jersey State Health  
29 Benefits Program Act which is to be located in the Division of  
30 Pensions and Benefits in the Department of the Treasury.

31 (cf: P.L.2000, c.6, s.19)

32

33 30. Section 5 of P.L.1993, c.8 (C.52:14-17.38b) is amended to  
34 read as follows:

35 5. Notwithstanding the provisions of any other law, rule, or  
36 regulation to the contrary, any local board of education may elect to  
37 participate in the State Health Benefits Program upon the  
38 termination of any contract in effect on the effective date of this  
39 amendatory and supplementary act, P.L.1993, c.8 (C.52:14-17.38b  
40 et al.), between the board of education and an insurance company  
41 writing insurance pursuant to Title 17B of the New Jersey Statutes,  
42 hospital service corporation, medical service corporation, health  
43 service corporation, or health maintenance organization to provide  
44 hospital and medical expense benefits. Such election shall be in  
45 accordance with the laws and regulations otherwise applicable to  
46 participation by employers other than the State in the program. If  
47 the board does not elect to participate in the State Health Benefits

1 Program at that time, its eligibility to elect such participation  
2 thereafter shall be subject to the time period specified by the State  
3 Health Benefits Commission for participating again in the State  
4 Health Benefits Program after a participant's withdrawal from the  
5 program. No such election shall be permitted after June 30, 2008.  
6 (cf: P.L.1993, c.8, s.5)  
7

8 31. (New section) Sections 31 through 41 of P.L. , c.  
9 (C. ) (pending before the Legislature as this bill) shall be  
10 known and may be cited as the "School Employees' Health Benefits  
11 Program Act."  
12

13 32. (New section) As used in the School Employees' Health  
14 Benefits Program Act, sections 31 through 41 of P.L. , c.  
15 (pending before the Legislature as this bill):

16 a. The term "State" means the State of New Jersey.

17 b. The term "commission" means the School Employees' Health  
18 Benefits Commission, created by section 33 of P.L. , c. (C. )  
19 (pending before the Legislature as this bill).

20 c. The term "employer" means local school district, regional  
21 school district, county vocational school district, county special  
22 services school district, jointure commission, educational services  
23 commission, State-operated school district, charter school, county  
24 college, any officer, board, or commission under the authority of  
25 the Commissioner of Education or of the State Board of Education,  
26 and any other public entity which is established pursuant to  
27 authority provided by Title 18A of the New Jersey Statutes, but  
28 excluding the State public institutions of higher education and  
29 excluding those public entities where the employer is the State of  
30 New Jersey.

31 d. The term "employee" means a person employed in any full  
32 time capacity by an employer, and shall include persons defined as  
33 a school employee by the regulations of the State Health Benefits  
34 Commission in effect on the effective date of the School  
35 Employees' Health Benefits Program Act. "Full-time" shall have  
36 the same meaning as in the regulation of the State Health Benefits  
37 Commission regarding local coverage in effect on the effective date  
38 of the School Employees' Health Benefits Program Act. The term  
39 "employee" shall not include persons employed on a short-term,  
40 seasonal, intermittent, or emergency basis, persons compensated on  
41 a fee basis, persons having less than two months of continuous  
42 service or persons whose compensation is limited to reimbursement  
43 of necessary expenses actually incurred in the discharge of their  
44 official duties. An employee paid on a 10-month basis, pursuant to  
45 an annual contract, shall be deemed to have satisfied the two-month  
46 waiting period if the employee begins employment at the beginning  
47 of the contract year. The term "employee" shall also not include  
48 retired persons who are otherwise eligible for benefits under the

1 School Employees' Health Benefits Program but who, although  
2 they meet the age or disability eligibility requirement of Medicare,  
3 are not covered by Medicare Hospital Insurance, also known as  
4 Medicare Part A, and Medicare Medical Insurance, also known as  
5 Medicare Part B. A determination by the commission that a person  
6 is an eligible employee for the purposes of the School Employees'  
7 Health Benefits Program shall be final and binding on all parties.

8 e. The term "dependents" means an employee's spouse,  
9 domestic partner, or partner in a civil union couple, and unmarried  
10 children under the age of 23 years who live in a regular parent/child  
11 relationship. "Children" shall include stepchildren, legally adopted  
12 children and children placed by the Division of Youth and Family  
13 Services in the Department of Children and Families, provided they  
14 are reported for coverage and are wholly dependent upon the  
15 employee for support and maintenance. A spouse, domestic  
16 partner, partner in a civil union couple, or child enlisting or  
17 inducted into military service shall not be considered a dependent  
18 during the military service. The term "dependents" shall not  
19 include spouses, domestic partners, or partners in a civil union  
20 couple, of retired persons who are otherwise eligible for the benefits  
21 under the School Employees' Health Benefits Program but who,  
22 although they meet the age or disability eligibility requirement of  
23 Medicare, are not covered by Medicare Hospital Insurance, also  
24 known as Medicare Part A, and Medicare Medical Insurance, also  
25 known as Medicare Part B.

26 f. The term "carrier" means a voluntary association,  
27 corporation or other organization, including but not limited to a  
28 health maintenance organization as defined in section 2 of the  
29 "Health Maintenance Organizations Act," P.L.1973, c.337 (C.26:2J-  
30 2), which is lawfully engaged in providing or paying for or  
31 reimbursing the cost of, personal health services, including  
32 hospitalization, medical and surgical services under insurance  
33 policies or contracts, membership or subscription contracts, or the  
34 like, in consideration of premiums or other periodic charges payable  
35 to the carrier.

36 g. The term "hospital" means:

37 (1) an institution operated pursuant to law which is primarily  
38 engaged in providing on its own premises, for compensation from  
39 its patients, medical diagnostic and major surgical facilities for the  
40 care and treatment of sick and injured persons on an inpatient basis,  
41 and which provides such facilities under the supervision of a staff  
42 of physicians and with 24 hour a day nursing service by registered  
43 graduate nurses, or

44 (2) an institution not meeting all of the requirements of  
45 paragraph (1) but which is accredited as a hospital by the Joint  
46 Commission on Accreditation of Hospitals. In no event shall the  
47 term "hospital" include a convalescent nursing home or any  
48 institution or part thereof which is used principally as a

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1 convalescent facility, residential center for the treatment and  
2 education of children with mental disorders, rest facility, nursing  
3 facility or facility for the aged or for the care of drug addicts or  
4 alcoholics.

5 h. The term "Medicare" means the program established by the  
6 "Health Insurance for the Aged Act," Title XVIII of the "Social  
7 Security Act," Pub.L.89-97 (42 U.S.C. s.1395 et seq.), as amended,  
8 or its successor plan or plans.

9 i. The term "managed care plan" means a health care plan  
10 under which comprehensive health care services and supplies are  
11 provided to eligible employees, retirees, and dependents: (1)  
12 through a group of doctors and other providers employed by the  
13 plan; or (2) through an individual practice association, preferred  
14 provider organization, or point of service plan under which services  
15 and supplies are furnished to plan participants through a network of  
16 doctors and other providers under contracts or agreements with the  
17 plan on a prepayment or reimbursement basis and which may  
18 provide for payment or reimbursement for services and supplies  
19 obtained outside the network. The plan may be provided on an  
20 insured basis through contracts with carriers or on a self-insured  
21 basis, and may be operated and administered by the State or by  
22 carriers under contracts with the State.

23 j. The term "successor plan" means a managed care plan that  
24 shall replace the "traditional plan," as defined in section 2 of  
25 P.L.1961, c.49 (C.52:14-17.26), and that shall provide benefits as  
26 set forth in section 36 of P.L. , c. (C. )(pending before the  
27 Legislature as this bill), and provide out-of-network benefits to  
28 participants with a payment by the plan of 80% of reasonable and  
29 customary charges as set forth in section 37 of P.L. , c. (C. )  
30 (pending before the Legislature as this bill) and as may be adjusted  
31 in accordance with section 40 of P.L. , c. (C. )(pending before  
32 the Legislature as this bill).

33

34 33. (New section) a. There is hereby created a School  
35 Employees' Health Benefits Commission, consisting of nine  
36 members:

37 (1) the State Treasurer and the Commissioner of the Department  
38 of Banking and Insurance serving ex officio;

39 (2) a member appointed by the Governor who is a New Jersey  
40 resident and is qualified by experience, education, or training in the  
41 review, administration, or design of health insurance plans for self-  
42 insured employers;

43 (3) a member appointed by the Governor from among three  
44 persons nominated by the New Jersey School Boards' Association,  
45 which member shall be qualified by experience, education, or  
46 training in the review, administration, or design of health insurance  
47 plans for self-insured employers;

1 (4) three members appointed by the Governor from among five  
2 persons nominated by the New Jersey Education Association, of  
3 whom two shall be qualified by experience, education, or training in  
4 the review, administration, or design of health insurance plans for  
5 self-insured employers;

6 (5) a member appointed by the Governor from among three  
7 persons nominated by the education section of the New Jersey State  
8 AFL-CIO, which member shall be qualified by experience,  
9 education, or training in the review, administration, or design of  
10 health insurance plans for self-insured employers; and

11 (6) a member appointed pursuant to subsection b. of this section  
12 who shall be the chairperson.

13 b. The Governor shall appoint the chairperson from among  
14 three persons nominated jointly by at least six of the eight members  
15 appointed pursuant to subsection a. of this section.

16 c. If the Governor declines to make an appointment from  
17 among the persons nominated for membership, the Governor shall  
18 request that a new list of nominees be provided in compliance with  
19 subsection a. of this section. If the Governor declines to make an  
20 appointment from the new list, the process set forth in this  
21 subsection shall be repeated until the Governor makes an  
22 appointment from a list of nominees. Except with respect to the  
23 appointment of the chairperson, if a new list of nominees is not  
24 submitted within 45 days of the Governor's request, the Governor  
25 shall make the appointment without the need to select from any list  
26 of nominees.

27 d. The initial terms of the members of the commission shall be  
28 as follows:

29 (1) the member appointed pursuant to paragraph (3) of  
30 subsection a. of this section and the two members appointed  
31 pursuant to paragraph (4) of subsection a. of this section who are  
32 required to be qualified by experience, education, or training shall  
33 serve for a term of three years;

34 (2) the member appointed pursuant to paragraph (2) of  
35 subsection a. of this section, the member appointed pursuant to  
36 paragraph (4) of subsection a. of this section who is not required to  
37 be qualified by experience, education, or training, and the member  
38 appointed pursuant to paragraph (5) of subsection a. of this section  
39 shall serve for a term of two years; and

40 (3) the chairperson shall serve for a term of six years.

41 All subsequent terms shall be for three years, except that the  
42 term of the chairperson shall be five years. A member of the  
43 commission may be reappointed to succeeding terms without limit  
44 in the same manner as the original appointment. A vacancy  
45 occurring on the commission shall be filled in the same manner as  
46 the original appointment and only for the unexpired term.

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1       34. (New section) The School Employees' Health Benefits  
2 Program, authorized by sections 31 through 41 of P.L.       , c.  
3 (C.   ) (pending before the Legislature as this bill), shall be  
4 administered in the Department of the Treasury. Administrative  
5 services required by the commission shall be provided through the  
6 Division of Pensions and Benefits, and the Director of the Division  
7 of Pensions and Benefits shall be the secretary of the commission.  
8 The commission shall establish a health benefits program for the  
9 school employees of the State, the cost of which shall be paid as  
10 specified in this act. The commission shall, by a majority vote of  
11 its full authorized membership, establish and change rules and  
12 regulations as may be deemed reasonable and necessary for the  
13 administration of this act. Until such rules and regulations are  
14 established, the rules and regulations of the State Health Benefits  
15 Commission shall be deemed to apply to the School Employees'  
16 Health Benefits Program.

17       The Attorney General shall be the legal advisor of the  
18 commission.

19       The members of the commission shall serve without  
20 compensation but shall be reimbursed for any necessary  
21 expenditure.

22       The commission shall ensure that audits and reviews are  
23 performed as required by section 40 of P.L.       , c. (C.   ) (pending  
24 before the Legislature as this bill). Actions of the commission  
25 related to such audits and reviews shall require a majority vote of  
26 the full authorized membership of the commission to be approved.

27       Except as otherwise specified in this act, actions of the  
28 commission shall require the affirmative vote of a majority of the  
29 members present at a meeting at which a majority of the full  
30 authorized membership is present.

31

32       35. (New section) a. The commission shall negotiate with and  
33 arrange for the purchase, on such terms as it deems in the best  
34 interests of the State, participating employers and those persons  
35 covered hereunder from carriers licensed to operate in the State or  
36 in other jurisdictions, as appropriate, contracts providing benefits  
37 required by the School Employees' Health Benefits Program Act, as  
38 specified in section 36 of P.L.       , c. (C.   )(pending before the  
39 Legislature as this bill), or such benefits as the commission may  
40 determine to provide, so long as such modification of benefits are in  
41 the best interests of the State, participating employers and those  
42 persons covered hereunder, and are consistent with the provisions  
43 of section 40 of that act. The commission shall have authority to  
44 execute all documents pertaining thereto for and on behalf of the  
45 State. The commission shall not enter into a contract under the  
46 School Employees' Health Benefits Program Act, unless the  
47 benefits provided thereunder are equal to or exceed the standards

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1 specified in section 36 of that act, or as such standards are modified  
2 pursuant to section 40 of that act.

3 b. The rates charged for any contract purchased under the  
4 authority of the School Employees' Health Benefits Program Act  
5 shall reasonably and equitably reflect the cost of the benefits  
6 provided based on principles which in the judgment of the  
7 commission are actuarially sound. The rates charged shall be  
8 determined based upon accepted group rating principles with due  
9 regard to the experience, both past and contemplated, under the  
10 contract. The commission shall have the right to particularize  
11 subgroups for experience purposes and rates. No increase in rates  
12 shall be retroactive.

13 c. The commission shall be authorized to accept an assignment  
14 of contract rights from or enter into an agreement, contract,  
15 memorandum of understanding or other terms with the State Health  
16 Benefits Commission to ensure that coverage for eligible  
17 employees, retirees and dependents under the School Employees'  
18 Health Benefits Program whose benefits had been provided through  
19 the State Health Benefits Program is continued without interruption.  
20 The transition provided for in this subsection shall occur within one  
21 year of the effective date of the School Employees' Health Benefits  
22 Program Act, sections 31 through 41 of P.L. , c. (C. )  
23 (pending before the Legislature as this bill).

24 d. Benefits under the contract or contracts purchased as  
25 authorized by the School Employees' Health Benefits Program Act  
26 may be subject to such limitations, exclusions, or waiting periods as  
27 the commission finds to be necessary or desirable to avoid inequity,  
28 unnecessary utilization, duplication of services or benefits  
29 otherwise available, including coverage afforded under the laws of  
30 the United States, such as the federal Medicare program, or for  
31 other reasons.

32 e. The initial term of any contract purchased by the  
33 commission under the authority of the School Employees' Health  
34 Benefits Program Act shall be for such period to which the  
35 commission and the carrier may agree, but permission may be made  
36 for automatic renewal in the absence of notice of termination by the  
37 commission. Subsequent terms for which any contract may be  
38 renewed as herein provided shall each be limited to a period not to  
39 exceed one year.

40  
41 36. (New section) a. Notwithstanding the provisions of any  
42 other law to the contrary, the commission shall not enter into a  
43 contract under the School Employees' Health Benefits Program Act,  
44 sections 31 through 41 of P.L. , c. (C. )(pending before the  
45 Legislature as this bill), for the benefits provided pursuant to the  
46 act, unless the level of benefits provided under the contract entered  
47 into is equal to or exceeds the level of benefits provided in this  
48 section, or as modified pursuant to section 40 of that act. Only



1 benefits for medically necessary services that are not deemed  
2 experimental, investigative or otherwise not eligible medical  
3 services shall be provided. The determination that services are not  
4 "eligible medical services" shall be made by the commission  
5 consistent with the best interests of the State, participating  
6 employers and those persons covered hereunder. Benefits for  
7 services provided pursuant to the School Employees' Health  
8 Benefits Act shall be subject to limits or exclusions consistent with  
9 those that apply to benefits provided pursuant to the New Jersey  
10 State Health Benefits Program Act. The services provided pursuant  
11 to this section shall include all services, subject to applicable limits  
12 and exclusions, provided through the State Health Benefits Program  
13 as of July 1, 2007. The list of services in subsection b. of this  
14 section is not intended to be exclusive or to require that any limits  
15 or exclusions be exceeded.

16 b. The services covered hereunder by the School Employees'  
17 Health Benefits Program shall include:

18 (1) Physician services, including:

19 (a) Inpatient services, including:

- 20 (i) medical care including consultations;
- 21 (ii) surgical services and services related thereto; and
- 22 (iii) obstetrical services including normal delivery,  
23 cesarean section, and abortion.

24 (b) Outpatient/out-of-hospital services, including:

- 25 (i) office visits for covered services and care;
- 26 (ii) allergy testing and related diagnostic/therapy services;
- 27 (iii) dialysis center care;
- 28 (iv) maternity care;
- 29 (v) well child care;
- 30 (vi) child immunizations/lead screening;
- 31 (vii) routine adult physicals including pap, mammography,  
32 and prostate examinations; and
- 33 (viii) annual routine obstetrical/gynecological exam.

34 (2) Hospital services, both inpatient and outpatient, including:

- 35 (a) room and board;
- 36 (b) intensive care and other required levels of care;
- 37 (c) semi-private room;
- 38 (d) therapy and diagnostic services;
- 39 (e) surgical services or facilities and treatment related  
40 thereto;
- 41 (f) nursing care;
- 42 (g) necessary supplies, medicines, and equipment for care;
- 43 and
- 44 (h) maternity care and related services.

45 (3) Other facility and services, including:

- 46 (a) approved treatment centers for medical emergency/  
47 accidental injury;
- 48 (b) approved surgical center;

- 1 (c) hospice;  
2 (d) chemotherapy;  
3 (e) diagnostic x-ray and lab tests;  
4 (f) ambulance;  
5 (g) durable medical equipment;  
6 (h) prosthetic devices;  
7 (i) foot orthotics;  
8 (j) diabetic supplies and education; and  
9 (k) oxygen and oxygen administration.
- 10 c. Benefits under the contract or contracts purchased as  
11 authorized by the School Employees' Health Benefits Program Act  
12 shall include those for the treatment of alcoholism where such  
13 treatment is prescribed by a physician and shall also include  
14 treatment while confined in or as an outpatient of a licensed  
15 hospital or residential treatment program which meets minimum  
16 standards of care equivalent to those prescribed by the Joint  
17 Commission on Hospital Accreditation. No benefits shall be  
18 provided beyond those stipulated in the contracts held by the School  
19 Employees' Health Benefits Commission.
- 20 d. Benefits under the contract or contracts purchased as  
21 authorized by the School Employees' Health Benefits Program Act  
22 shall include those for mental health services subject to limits and  
23 exclusions consistent with those that apply to benefits for such  
24 services pursuant to the New Jersey State Health Benefits Program  
25 Act. Coverage for biologically-based mental illness, as defined in  
26 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in  
27 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 28 e. Coverage provided under the School Employees' Health  
29 Benefits Program Act shall include coverage for all services for  
30 which coverage is mandated in the State Health Benefits Program  
31 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).
- 32 f. (1) As used in this subsection:
- 33 (a) "brand name" means the proprietary or trade name assigned  
34 to a drug product by the manufacturer or distributor of the drug  
35 product.
- 36 (b) "carrier" means an insurance company, hospital, medical, or  
37 health service corporation, preferred provider organization, or  
38 health maintenance organization under agreement or contract with  
39 the commission to administer the School Employee Prescription  
40 Drug Plan.
- 41 (c) "School Employee Prescription Drug Plan" means the plan  
42 for providing payment for eligible prescription drug expenses of  
43 members of the School Employees' Health Benefits Program and  
44 their eligible dependents.
- 45 (d) "generic drug products" means prescription drug products  
46 and insulin approved and designated by the United States Food and  
47 Drug Administration as therapeutic equivalents for reference listed  
48 drug products. The term includes drug products listed in the New

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1 Jersey Generic Formulary by the Drug Utilization Review Council  
2 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

3 (e) "mail-order pharmacy" means the mail order program  
4 available through the carrier.

5 (f) "preferred brands" means brand name prescription drug  
6 products and insulin determined by the carrier to be more cost  
7 effective alternative for prescription drug products and insulin with  
8 comparable therapeutic efficacy within a therapeutic class, as  
9 defined or recognized in the United States Pharmacopeia or the  
10 American Hospital Formulary Service Drug Information, or by the  
11 American Society of Health Systems Pharmacists. A drug product  
12 for which there is no other therapeutically equivalent drug product  
13 shall be a preferred brand. Determinations of preferred brands by  
14 the carrier shall be subject to review and modification by the  
15 commission.

16 (g) "retail pharmacy" means a pharmacy, drug store or other  
17 retail establishment in this State at which prescription drugs are  
18 dispensed by a registered pharmacist under the laws of this State, or  
19 a pharmacy, drug store or other retail establishment in another state  
20 at which prescription drug products are dispensed by a registered  
21 pharmacist under the laws of that state if expenses for prescription  
22 drug products dispensed at the pharmacy, drug store, or other retail  
23 establishment are eligible for payment under the School Employee  
24 Prescription Drug Plan.

25 (h) "other brands" means prescription drug products which are  
26 not preferred brands or generic drug products. A new drug product  
27 approved by the United States Food and Drug Administration which  
28 is not a generic drug product shall be included in this category until  
29 the carrier makes a determination concerning inclusion of the drug  
30 product in the list of preferred brands.

31 (2) (a) Employers that participate in the School Employees'  
32 Health Benefits Program may offer to their employees and eligible  
33 dependents:

34 (i) enrollment in the School Employee Prescription Drug Plan,  
35 or

36 (ii) enrollment in another free-standing prescription drug plan, or

37 (iii) election of prescription drug coverage under their health  
38 care coverage through the School Employees' Health Benefits  
39 Program plan or as otherwise determined by the commission.

40 (b) A co-payment shall be required for each prescription drug  
41 expense if the employer chooses to participate in the School  
42 Employee Prescription Drug Plan. The initial amounts of the co-  
43 payments shall be the same as those in effect on July 1, 2007 for the  
44 employee prescription drug plan offered through the State Health  
45 Benefits Program.

46 (c) If the employer elects to offer a free-standing prescription  
47 drug plan, the employee's share of the cost for this prescription drug  
48 plan may be determined by means of a binding collective

1 negotiations agreement, including any agreements in force at the  
2 time the employer commences participation in the School  
3 Employees' Health Benefits Program.

4 (d) If an employee declines the employer's offering of a free-  
5 standing prescription drug plan, no reimbursement for prescription  
6 drugs shall be provided under the health care coverage through the  
7 School Employees' Health Benefits Program plan in which the  
8 employee is enrolled.

9 (e) Prescription drug classifications that are not eligible for  
10 coverage under the employer's prescription drug plan shall also not  
11 be eligible for coverage under the health care coverage through the  
12 School Employees' Health Benefits Program plan except as  
13 federally or State mandated.

14 (f) If the employer elects to not offer a free-standing  
15 prescription drug plan, then the employer shall offer prescription  
16 drug coverage under the health care coverage through the School  
17 Employees' Health Benefits Program plan or as determined by the  
18 commission. Any plan that has in-network and out-of-network  
19 coverage shall cover prescription drugs at 90% in-network and at  
20 the out-of-network rate applicable to health care coverage in the  
21 plan. The out-of-pocket amounts paid towards prescription drugs  
22 shall be combined with out-of-pocket medical payments to reach all  
23 out-of-pocket maximums.

24 (g) Health care coverages through the School Employees'  
25 Health Benefits Program that only have in-network benefits shall  
26 include a prescription card with co-payment amounts the same as  
27 those in effect on July 1, 2007 for such coverages offered through  
28 the State Health Benefits Program.

29 (h) In the fifth year following the initial appointment of all of its  
30 members, the commission shall, as part of the fifth year audit and  
31 review undertaken pursuant to section 40 of that act, review the  
32 prescription drug program established in this subsection and may  
33 make changes in the program pursuant to the terms of section 40 by  
34 majority vote of the full authorized membership of the commission.  
35

36 37. (New section) Beginning with the initial year of the School  
37 Employees' Health Benefits Program, the commission shall offer to  
38 participating employers and to qualified employees, retirees and  
39 dependents a managed care plan in which the office co-payment  
40 amount shall be \$10 per visit with a maximum out-of-pocket of  
41 \$400 per individual and \$1,000 per family for in-network services  
42 for each calendar year. The out-of-network deductible shall be \$100  
43 per individual and \$250 per family for each calendar year with the  
44 plan paying for 80% of reasonable and customary charges as  
45 defined herein up to an out-of-pocket maximum that shall not  
46 exceed \$2,000 per individual and \$5,000 per family for each  
47 calendar year.

1 In the successor plan, the in-network out-of-pocket payments  
2 shall count toward the out-of-network out-of-pocket maximums.  
3 Any lifetime maximum for out-of-network services shall not be less  
4 than any maximums in effect under the State Health Benefits  
5 Program as of July 1, 2007. There shall be no lifetime maximum  
6 for in-network services.

7 The carrier that administers the successor plan shall make  
8 available to the plan participants through in-network and out-of-  
9 network providers access to physicians and hospitals sufficient in  
10 geographic scope and number to provide access to health care  
11 services that is substantially equivalent to the access to health care  
12 services available through the State Health Benefits Program as of  
13 July 1, 2007.

14 Beginning with the initial year of the School Employees' Health  
15 Benefits Program, the commission shall be authorized to offer to  
16 participating employers and qualified employees, retirees and  
17 dependents managed care plans in which the in-network per visit  
18 charge shall not exceed \$15 per visit and the out of network  
19 reimbursement shall be 70% of reasonable and customary charges  
20 as defined herein, provided the in-network and out-of-network  
21 maximums and deductibles do not exceed the limits set forth above.

22 The amounts of maximums, co-pays, deductibles, and other  
23 participant costs shall be reviewed, as part of the fifth year audit  
24 undertaken pursuant to section 40 of P.L. , c. (C. ) (pending  
25 before the Legislature as this bill). The commission shall make  
26 changes in such amounts pursuant to section 40 by majority vote of  
27 the full authorized membership of the commission.

28 "Reasonable and customary charges" means, for any out-of-  
29 network payment made by a carrier, charges based upon the 90th  
30 percentile of the usual, customary, and reasonable (UCR) fee  
31 schedule determined by the Health Insurance Association of  
32 America or a similar nationally recognized database of prevailing  
33 health care charges.

34 Beginning with the initial year of the School Employees' Health  
35 Benefits Program, the commission shall offer to participating  
36 employers and qualified employees, retirees and dependents one or  
37 more health maintenance organization plans.

38

39 38. (New section) a. Retirees and eligible dependents who  
40 participate in the School Employees' Health Benefits Program shall  
41 be eligible to participate in the School Retiree Prescription Drug  
42 Plan. The definitions in subsection f. of section 36 of P.L. , c.  
43 (C. ) (pending before the Legislature as this bill) shall apply to  
44 the School Retiree Prescription Drug Plan.

45 b. There shall be no annual deductible amount that retirees or  
46 their eligible dependents shall be required to satisfy before  
47 eligibility for payment of prescription drug expenses under the  
48 School Retiree Prescription Drug Plan.

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1 c. Eligibility of prescription drug expenses for coverage under  
2 the School Retiree Prescription Drug Plan shall be determined on  
3 the same basis as reasonable and necessary medical expenses under  
4 the School Employees' Health Benefits Program.

5 d. A co-payment shall be required for each prescription drug  
6 expense until a retiree or eligible dependent satisfies the maximum  
7 annual out-of-pocket expense for a calendar year prescribed in  
8 subsection f. of this section. The amounts of the co-payments shall  
9 be the same as those in effect as of July 1, 2007 for retiree  
10 prescription drug coverage under the State Health Benefits  
11 Program. The commission shall promulgate rules that shall  
12 establish a formula for a reasonable annual escalator to the amount  
13 of co-payment.

14 e. The supply of a drug product eligible for coverage under the  
15 School Retiree Prescription Drug Plan for each prescription drug  
16 expense shall be limited to 30 days if the prescription is filled at a  
17 retail pharmacy, and 90 days if the prescription is filled through the  
18 mail-order pharmacy.

19 f. The amount of out-of-pocket expense that a retiree or  
20 eligible dependent shall pay in a calendar year for eligible  
21 prescription drug expenses under the School Retiree Prescription  
22 Drug Plan shall be limited in the first year of the plan to the amount  
23 in effect on July 1, 2007 for retiree prescription drug coverage  
24 under the State Health Benefits Program. The commission shall  
25 promulgate rules that shall establish a formula for a reasonable  
26 annual escalator to the amount of out-of-pocket expense.

27 g. In the fifth year following the initial appointment of all of its  
28 members, the commission shall, as part of the fifth year audit and  
29 review undertaken pursuant to section 40 of P.L. , c. (C. )  
30 (pending before the Legislature as this bill), review the amounts  
31 established in this section and make any changes that it deems  
32 appropriate pursuant to section 40 of P.L. , c. (C. ) (pending  
33 before the Legislature as this bill) by majority vote of the full  
34 authorized membership of the commission.

35  
36 39. (New section) a. For each active covered employee and for  
37 the eligible dependents the employee may have enrolled at the  
38 employee's option, from funds appropriated therefor, the employer  
39 shall pay to the commission the premium or periodic charges for the  
40 benefits provided under the contract in amounts equal to the  
41 premium or periodic charges for the benefits provided under such a  
42 contract covering the employee and the employee's enrolled  
43 dependents.

44 b. The obligations of any employer to pay the premium or  
45 periodic charges for health benefits coverage provided under the  
46 School Employees' Health Benefits Program Act, sections 31  
47 through 41 of P.L. , c. (C. ) (pending before the Legislature  
48 as this bill), may be determined by means of a binding collective

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1 negotiations agreement, including any agreement in force at the  
2 time the employer commences participation in the School  
3 Employees' Health Benefits Program. With respect to employees  
4 for whom there is no majority representative for collective  
5 negotiations purposes, the employer may, in its sole discretion,  
6 modify the respective payment obligations set forth in law for the  
7 employer and such employees in a manner consistent with the terms  
8 of any collective negotiations agreement binding on the employer.

9 c. There is hereby established a School Employee Health  
10 Benefits Program fund consisting of all contributions to premiums  
11 and periodic charges remitted to the State treasury by participating  
12 employers for employee coverage. All such contributions shall be  
13 deposited in the fund and the fund shall be used to pay the portion  
14 of the premium and periodic charges attributable to employee and  
15 dependent coverage.

16 d. Notwithstanding any law to the contrary, the payment in full  
17 of premium or periodic charges for eligible retirees and their  
18 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-  
19 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section  
20 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without  
21 alteration or interruption and there shall be no premium sharing or  
22 periodic charges for school employees in retirement once they have  
23 met the criteria for vesting for pension benefits, which criteria for  
24 purposes of this subsection only shall mean the criteria for vesting  
25 in the Teachers' Pension and Annuity Fund. For purposes of this  
26 subsection, "premium sharing or periodic charges" shall mean  
27 payments by eligible retirees based upon a proportion of the  
28 premiums for health care benefits.

29  
30 40. (New section) a. The School Employees' Health Benefits  
31 Commission shall publish annually, at least 30 days prior to the  
32 commencement of the open enrollment period for that year, a report  
33 showing the fiscal transactions of the program for the preceding  
34 calendar year and stating other facts pertinent to the program and all  
35 participating employers.

36 b. At the same time as the annual report is published, the  
37 commission shall publish an audit report of the program's costs and  
38 the aggregate usage of plan participants during the preceding  
39 calendar year, which audit shall be prepared by a qualified  
40 independent auditor selected by the commission in accordance with  
41 applicable laws regarding selection of auditing services. The  
42 independent auditor shall include in its report specific  
43 recommendations that are projected to result in cost savings to the  
44 State and to participating employers.

45 The specific recommendations to be submitted in the annual  
46 audit report shall include, but not be limited to, savings achievable  
47 through disease management, prescription benefit management, and  
48 elimination of administrative and program inefficiencies. In

1 addition, the annual audit may recommend changes to the benefits  
2 provided under the School Employees' Health Benefits Program  
3 that improve the overall ability to retain and attract eligible  
4 employees.

5 c. The commission shall submit the annual report and annual  
6 audit report to the Governor and the Legislature, and shall make  
7 these reports available to every participating employer.

8 d. At the start of the fifth year following the initial appointment  
9 of all of its members, and at the start of every fifth year thereafter,  
10 the commission shall contract with an independent, qualified  
11 auditor, separate from the person performing the annual audit  
12 described in subsection b. of this section, for a comprehensive  
13 review and audit of all elements of the program, as well as the plan  
14 design and structure for each plan offered by the commission. The  
15 auditor shall be qualified by experience, training, resources, and  
16 education to perform intensive audits of public health insurance  
17 plans that are of a similar size and scope and shall be familiar with  
18 benefit designs of employers that are eligible but do not participate  
19 in the commission. The auditor shall be selected in accordance with  
20 applicable law.

21 e. Each fifth year review and audit shall be the annual audit for  
22 that year and the review shall include all of the elements contained  
23 in the annual audit plus the additional reviews set forth in this  
24 subsection. In addition to performing the tasks of the annual audit,  
25 the auditor selected for a fifth year review shall review the program  
26 costs, plan design, and plan structure and may issue  
27 recommendations for cost sharing measures, including  
28 modifications of co-payments, deductibles, out-of-pocket  
29 maximums, limits, exclusions, and other measures to be considered  
30 for implementation by the commission. The commission is  
31 authorized to implement such recommendations pursuant to  
32 majority vote of the full authorized membership of the commission.

33 The commission shall submit the five-year review and audit  
34 report to the Governor and the Legislature and shall make the report  
35 available to every participating employer.

36  
37 41. (New section) All provisions of P.L.1961, c.49 (C.52:14-  
38 17.25 et seq.) applicable to the State Health Benefits Program shall,  
39 except as expressly stated in the School Employees' Health Benefits  
40 Program Act, be construed as applicable to participating employers  
41 and to their employees and to dependents of such employees, and to  
42 retirees and to dependents of such retirees, in the School  
43 Employees' Health Benefits Program.

44  
45 42. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to  
46 read as follows:

47 3. A qualified retiree from the Teachers' Pension and Annuity  
48 Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified retiree,



1 but not including survivors, are eligible to participate in the  
2 **[program] State Health Benefits Program until June 30, 2008, and**  
3 **beginning July 1, 2008, in the School Employees' Health Benefits**  
4 **Program**, regardless of whether the retiree's employer participated  
5 in the program.

6 A qualified retiree is a retiree who:

7 a. Retired on a benefit based on 25 or more years of service  
8 credit;

9 b. Retired on a disability pension based on fewer years of  
10 service credit; or

11 c. Elected deferred retirement based on 25 or more years of  
12 service credit and who receives a retirement allowance.

13 The program shall reimburse a qualified retiree who participates  
14 in the program for the premium charges under Part B of the federal  
15 medicare program for the retiree and the retiree's spouse. A  
16 qualified retiree who retired under subsections a. and b. of this  
17 section prior to the effective date of this 1987 amendatory and  
18 supplementary act is eligible for the coverage if the retiree applies  
19 to the program for it within one year after the effective date, and a  
20 qualified retiree as defined under subsection c. of this section whose  
21 retirement allowance commenced prior to the effective date of this  
22 1992 amendatory act is eligible for the coverage if the retiree  
23 applies to the program for it within one year after the effective date.

24 The premium or periodic charges for benefits provided to a  
25 qualified retiree and the dependents of the retiree, and the cost for  
26 reimbursement of medicare premiums shall be paid by the  
27 **[Teachers' Pension and Annuity Fund] State**.

28 (cf: P.L.1994, c.62, s.12)

29

30 43. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to  
31 read as follows:

32 2. **[a.]** Pension adjustment benefits for members and  
33 beneficiaries of the Teachers' Pension and Annuity Fund as  
34 provided by the "Pension Adjustment Act," P.L.1958, c.143  
35 (C.43:3B-1 et seq.), shall be paid by the retirement system and shall  
36 be funded as employer obligations by the same method provided by  
37 law for the funding of employer obligations for the basic retirement  
38 benefits provided by the retirement system.

39 **[b.]** Health care benefits for qualified retirees and their  
40 dependents as provided by section 3 of P.L.1987, c.384 (C.52:14-  
41 17.32f) shall be funded and paid by the retirement system through a  
42 separate fund or trust of the retirement system in accordance with  
43 the requirements of the federal Internal Revenue Code. Beginning  
44 with the actuarial valuation period ending March 31, 1994, the  
45 actuary of the retirement system shall annually compute a  
46 contribution to fund these health care benefits which shall be the  
47 amount necessary to pay the anticipated premiums or periodic  
48 charges for the benefits for the following valuation period and to

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1 provide that the balance in the fund as of the end of the following  
2 valuation period shall be increased by 1/2 of 1% of the salary of the  
3 active members for the valuation period, except that contributions  
4 to increase the balance in the fund shall not be made in State fiscal  
5 years 2002 and 2003. Beginning with the actuarial valuation period  
6 ending June 30, 2002, the contribution shall be computed to provide  
7 that the balance in the fund shall be increased by 3/5 of 1% of the  
8 salary of the active members for the valuation period. Any monies  
9 in a separate fund or trust maintained by the retirement system to  
10 pay for health care benefits for qualified retirees and their  
11 dependents as provided in this section may be used in State fiscal  
12 year 2002 to pay the premiums or periodic charges for the benefits.  
13 If the assets in the fund are insufficient to pay the premiums or  
14 periodic charges for the benefits, they shall be paid directly by the  
15 State. Nothing hereinabove shall alter health care benefits for  
16 qualified retirees and their dependents or relieve the State from its  
17 acknowledged obligation to fund the benefits.】

18 (cf: P.L.2002, c.11, s.1)

19

20 44. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to  
21 read as follows:

22 2. 【a.】 Pension adjustment benefits for members and  
23 beneficiaries of the Public Employees' Retirement System provided  
24 by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et  
25 seq.), shall be paid by the retirement system and shall be funded as  
26 employer obligations by the same method provided by law for the  
27 funding of employer obligations for the basic retirement benefits  
28 provided by the retirement system. Normal and accrued liability  
29 contributions for pension adjustment benefits for active employees  
30 of employers other than the State shall be determined for the 1992  
31 valuation year and shall be phased in so that the level of recognition  
32 of the full normal and accrued liability contributions for the State  
33 and other employers shall be 20% for valuation year 1992 and 24%  
34 for valuation year 1993, and shall be increased by 2.24% for each  
35 valuation year thereafter until the full normal and accrued liability  
36 contributions are fully recognized.

37 【b. Health care benefits for retired State employees and their  
38 dependents for which the State is required to pay the premiums or  
39 periodic charges under the "New Jersey State Health Benefits  
40 Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be  
41 funded and paid by the retirement system through a separate fund or  
42 trust of the retirement system in accordance with the requirements  
43 of the federal Internal Revenue Code. Beginning with the actuarial  
44 valuation period ending March 31, 1994, the actuary of the  
45 retirement system shall annually compute a contribution to fund  
46 these health care benefits which shall be the amount necessary to  
47 pay the anticipated premiums or periodic charges for the benefits  
48 for the following valuation period and to provide that the balance in

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1 the fund as of the end of the following valuation period shall be  
2 increased by 1/2 of 1% of the salary of the active members for the  
3 valuation period, except that contributions to increase the balance in  
4 the fund shall not be made in State fiscal years 2002 and 2003.  
5 Beginning with the actuarial valuation period ending June 30, 2002,  
6 the contribution shall be computed to provide that the balance in the  
7 fund shall be increased by 3/5 of 1% of the salary of the active  
8 members for the valuation period. Any monies in a separate fund or  
9 trust maintained by the retirement system to pay for health care  
10 benefits for qualified retirees and their dependents as provided in  
11 this section may be used in State fiscal year 2002 to pay the  
12 premiums or periodic charges for the benefits. If the assets in the  
13 fund are insufficient to pay the premiums or periodic charges for  
14 the benefits, they shall be paid directly by the State. Nothing  
15 hereinabove shall alter health care benefits for qualified retirees and  
16 their dependents or relieve the State from its acknowledged  
17 obligation to fund the benefits.】

18 (cf: P.L.2002, c.11, s.2)

19

20 45. Section 3 of P.L.1993, c.8 (C.52:14-17.38c) is amended to  
21 read as follows:

22 3. With respect to any policy or contract between a local board  
23 of education and an insurance company writing insurance pursuant  
24 to Title 17B of the New Jersey Statutes, hospital service  
25 corporation, medical service corporation, health service corporation,  
26 or health maintenance organization which provides hospital or  
27 medical expense benefits:

28 a. upon the commencement of any policy or contract entered  
29 into after the effective date of this amendatory and supplementary  
30 act, P.L.1993, c.8 (C.52:14-17.38b et al.); or

31 b. in the case of any policy or contract in effect as of the  
32 effective date of this act, no earlier than the second anniversary date  
33 after the effective date of this act of any such policy or contract, the  
34 insurance company, hospital service corporation, medical service  
35 corporation, health service corporation, or health maintenance  
36 organization shall annually pay to the State Health Benefits  
37 Program a surcharge in the form of a percentage of the claims paid  
38 by the insurance company, hospital service corporation, medical  
39 service corporation, health service corporation, or health  
40 maintenance organization which are attributable to the coverage of  
41 the employees of the board and their dependents for the time period  
42 from July 1 through the following June 30, except that if the  
43 commencement or the second anniversary date of the policy or  
44 contract occurs after July 1, the initial surcharge shall be prorated  
45 for the remainder of that year from July 1 through the following  
46 June 30. The surcharge shall be paid on or before December 31 of  
47 the time period for which it is payable in the manner prescribed  
48 hereinafter, except that if the commencement or second anniversary

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1 date of the policy or contract occurs on or after November 1, an  
2 estimated initial surcharge shall be paid no later than the end of the  
3 sixth month following the commencement or anniversary date of the  
4 policy or contract or July 1 following the commencement or  
5 anniversary date of the policy or contract, whichever is earlier, and  
6 the actual surcharge payable for the initial time period shall be  
7 determined and adjustments, if any, shall be made to the surcharge  
8 payable for the succeeding time period in the manner prescribed  
9 hereinafter.

10 The initial surcharge percentage for the time period July 1, 1993  
11 through June 30, 1994 shall be 3.25%. The State Treasurer shall  
12 thereafter annually redetermine the surcharge percentage, which  
13 shall be the percentage of total claims paid for active employees and  
14 for retired employees receiving health care coverage under the State  
15 Health Benefits Program pursuant to section 3 of P.L.1987, c.384  
16 (C.52:14-17.32f) or subsection a. of section 2 of P.L.1992, c.126  
17 (C.52:14-17.32f1) who are not eligible for Medicare which is  
18 reasonably attributable to the excess claim cost for these retired  
19 employees. The State Treasurer shall annually provide an estimated  
20 surcharge percentage based upon the claims paid for the 12 months  
21 immediately preceding the time period for which the surcharge is  
22 payable. Except as otherwise provided herein in the case of the  
23 initial surcharge, each organization shall pay to the State Health  
24 Benefits Program an estimated surcharge on or before December 31  
25 of the time period for which the surcharge is payable, which shall  
26 be the amount determined by multiplying the total claims paid by  
27 the organization for the coverage for the 12 months immediately  
28 preceding the time period for which the surcharge is payable by the  
29 estimated surcharge percentage. Within three months after the time  
30 period for which the surcharge is payable, the State Treasurer shall  
31 determine the actual surcharge percentage for the time period based  
32 upon the actual claims experience for the period. The surcharge for  
33 the succeeding time period shall be increased or decreased, as  
34 appropriate, by the difference between the estimated surcharge paid  
35 and the surcharge due based upon the actual claims experience.

36 This section shall apply to any policy or contract in which the  
37 insurer has reserved the right to change the premium.

38 Beginning July 1, 2008, a reference to the State Health Benefits  
39 Program in this section shall mean the School Employees' Health  
40 Benefits Program, established pursuant to sections 31 through 41 of  
41 P.L. , c. (C. ) (pending before the Legislature as this bill).

42 (cf: P.L.1993, c.8, s.3)

43

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

46 8. a. The **【basic coverage and the major medical】** health care  
47 benefits coverage of any employee, and the employee's dependents,  
48 if any, shall cease upon the discontinuance of the term of office or

1 employment or upon cessation of active full-time employment  
2 subject to such regulations as may be prescribed by the commission  
3 for limited continuance of [basic coverage and major medical]  
4 coverage during disability, part-time employment, leave of absence  
5 or lay off, and for continuance of [basic coverage and major  
6 medical] coverage after retirement, any such continuance after  
7 retirement to be provided at such rates and under such conditions as  
8 shall be prescribed by the commission, subject, however, to the  
9 requirements hereinafter set forth in this section. Notwithstanding  
10 the provisions of any law to the contrary, for law enforcement  
11 officers employed by the State for whom there is a majority  
12 representative for collective negotiation purposes, and for  
13 nonaligned sworn members of the Division of State Police who  
14 retire after July 1, 2005, the coverage options available to such  
15 employees in retirement shall be limited to those options that were  
16 available to the employee on the employee's last day of  
17 employment. The commission may also establish regulations  
18 prescribing an extension of coverage when an employee or  
19 dependent is totally disabled at termination of coverage.

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

39 c. (1) From funds appropriated therefor, the State shall pay the  
40 premium or periodic charges for the benefits provided to a retired  
41 State employee and the employee's dependents covered under the  
42 program, but not including survivors, if such employee retired from  
43 one or more State or locally-administered retirement systems on a  
44 benefit or benefits based in the aggregate on 25 years or more of  
45 nonconcurrent service credited in the retirement systems, excluding  
46 service credited under the Defined Contribution Retirement  
47 Program established pursuant to P.L.2007, c.92 (C.43:15C-1 et al.),  
48 and excepting the employee who elected deferred retirement, but

1 including the employee who retired on a disability pension based on  
2 fewer years of service credited in the retirement systems and shall  
3 also reimburse such retired employee for the premium charges  
4 under Part B of the federal medicare program covering the retired  
5 employee and the employee's spouse. In the case of full-time  
6 employees of the Rutgers University Cooperative Extension  
7 Service, service credited in the federal Civil Service Retirement  
8 System (5 U.S.C.s.8331 et seq.) which was earned as a result of  
9 full-time employment at Rutgers University, may be considered  
10 alone or in combination with service credited in one or more State  
11 or locally-administered retirement systems for the purposes of  
12 establishing the minimum 25-year service requirement to qualify for  
13 the benefits provided in this section. Any full-time employee of the  
14 Rutgers University Cooperative Extension Service who meets the  
15 eligibility requirements set forth in this amendatory act shall be  
16 eligible for the benefits provided in this section, provided that at the  
17 time of retirement such employee was covered by the State Health  
18 Benefits Program and elected to continue such coverage into  
19 retirement.

20 (2) Notwithstanding the provisions of this section to the  
21 contrary, from funds appropriated therefor, the State shall pay the  
22 premium or periodic charges for the benefits provided to a retired  
23 State employee and the employee's dependents covered under the  
24 program, but not including survivors, if: (a) the employee retires on  
25 or after the effective date of this 1987 amendatory act; (b) the  
26 employee was employed by Rutgers University prior to January 2,  
27 1955 and remained in continuous service with Rutgers University  
28 until retirement even though the employee (i) did not join a State-  
29 administered retirement system, or, (ii) became a member of a  
30 State-administered retirement system, but accumulated less than 25  
31 years of credited service; and (c) the employee is covered by the  
32 program at the time of retirement.

33 (3) Notwithstanding the provisions of this section to the  
34 contrary, in the case of an employee of a State college, as described  
35 in chapter 64 of Title 18A of the New Jersey Statutes, or of a  
36 county college, as defined in N.J.S.18A:64A-1, service credited in a  
37 private defined contribution retirement plan which was earned as an  
38 employee of an auxiliary organization, as defined in section 2 of  
39 P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be  
40 considered in combination with service credited in a State-  
41 administered retirement system for the purposes of establishing the  
42 minimum 25-year service requirement to qualify for the benefits  
43 provided in this section, provided that the employee is covered by  
44 the program at the time of retirement.

45 (4) Notwithstanding the provisions of this section to the  
46 contrary, from funds appropriated therefor, the State shall pay the  
47 premium or periodic charges for the benefits provided to a retired  
48 State employee and any dependents covered under the program, but

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1 not including survivors, if the employee: (a) retired prior to the  
2 effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under  
3 the State Police Retirement System, established pursuant to  
4 P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than  
5 25 years of service credit in the retirement system; (b) was  
6 subsequently employed by the State in another position or positions  
7 not covered by the State Police Retirement System; (c) has, in the  
8 aggregate, at least 30 years of full-time employment with the State;  
9 and (d) is covered by the program at the time of terminating full-  
10 time employment with the State.

11 (cf: P.L.2007, c.92, s.29)

12

13 47. Section 1 of P.L.1989, c.127 (C.52:14-17.32g) is amended to  
14 read as follows:

15 1. Notwithstanding any other provisions of P.L.1961, c.49  
16 (C.52:14-17.25 et seq.) to the contrary, the [basic benefits and the  
17 major medical expense] health care benefits of any employee of an  
18 employer with at least three years of service under a permanent  
19 appointment with that employer and any dependent of the employee  
20 may be continued and the premiums for the coverage may be paid  
21 by the employer during any approved leave of absence of the  
22 employee with or without pay, for a period of up to two years.

23 For the purposes of this section "employer" means a local board  
24 of education, regional board of education, county college,  
25 educational services commission, jointure commission, county  
26 special services school district, county vocational-technical school  
27 district, or any board or commission under the authority of the  
28 Commissioner of Education, or State Board of Education, as the  
29 case may be.

30 (cf: P.L.1989, c.127, s.1)

31

32 48. (New section) Effective July 1, 2007, health care benefits  
33 for retired State employees and their dependents for which the State  
34 is required to pay the premiums or periodic charges under the "New  
35 Jersey State "Health Benefits Program Act," P.L.1961, c.49  
36 (C.52:14-17.25 et seq.), shall be funded and paid by the State  
37 through a separate fund established in the Department of the  
38 Treasury. Beginning with the valuation period ending June 30,  
39 2007, the Director of the Division of Pensions and Benefits shall  
40 annually compute a contribution to fund these health care benefits  
41 which shall be the amount necessary to pay the anticipated  
42 premiums or periodic charges for the benefits for the following  
43 valuation period and to provide that the balance in the fund as of the  
44 end of the following valuation period shall be increased by 3/5 of  
45 1% of the salary of the active members for the valuation period. If  
46 the assets in the fund are insufficient to pay the premiums or  
47 periodic charges for the benefits, they shall be paid directly by the  
48 State. Nothing herein above shall alter health care benefits for

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1 qualified retirees and their dependents or relieve the State from its  
2 acknowledged obligation to fund the benefits.

3  
4 49. (New section) Effective July 1, 2007, health care benefits  
5 for qualified retirees and their dependents as provided by section 3  
6 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126  
7 (C.52:14-17.32f1) and section 1 of P.L.1995, c.357 (C.52:14-  
8 17.32f2) shall be funded and paid by the State through a separate  
9 fund established in the Department of the Treasury. Beginning with  
10 the valuation period ending June 30, 2007, the Director of the  
11 Division of Pensions and Benefits shall annually compute a  
12 contribution to fund these health care benefits which shall be the  
13 amount necessary to pay the anticipated premiums or periodic  
14 charges for the benefits for the following valuation period and to  
15 provide that the balance in the fund as of the end of the following  
16 valuation period shall be increased by  $\frac{3}{5}$  of 1% of the salary of the  
17 active members for the valuation period. If the assets in the fund  
18 are insufficient or are not used to pay the premiums or periodic  
19 charges for the benefits, such premiums or periodic charges shall be  
20 paid directly by the State. Nothing hereinabove shall alter health  
21 care benefits for qualified retirees and their dependents or relieve  
22 the State from its acknowledged obligation to fund the benefits.

23  
24 50. This act shall take effect immediately, except that sections  
25 11 through 16, inclusive, shall take effect July 1, 2007, and sections  
26 27 through 29, inclusive, shall take effect July 1, 2008, and sections  
27 31 through 41, inclusive, shall take effect immediately and shall be  
28 implemented as soon as practicable as determined by the School  
29 Employees' Health Benefits Commission so that the School  
30 Employees' Health Benefits Program shall be operational as of July  
31 1, 2008.

32

33

34

STATEMENT

35

36 I. Pension Benefits

37

38 Sections 1 to 6 of this bill increase the member contribution rate  
39 for the Teachers' Pension and Annuity Fund (TPAF), for Public  
40 Employees' Retirement System (PERS), and for the Defined  
41 Contribution Retirement Program (DCRP) from 5% of annual  
42 compensation to 5.5% of annual compensation. For teachers and  
43 public employees currently enrolled in these systems, the increase  
44 will be effective with the next payroll period that begins  
45 immediately after July 1, 2007.

46 Sections 7 and 8 of this bill change the "early retirement"  
47 provisions of the TPAF and PERS for teachers and public  
48 employees who become members of the systems on or after July 1,



1 2007. While such a new member who accrues 25 or more years of  
2 service will be able to retire before the service retirement age of 60,  
3 the member's retirement allowance will be reduced by 1% per year  
4 for each year (1/12 of 1% per month) the member lacks of being  
5 age 60 but over age 55 and by 3% per year for each year (1/4 of 1%  
6 per month) the member lacks of being age 55. Currently, a member  
7 of TPAF or PERS with 25 or more years of service is able to retire  
8 before the "early retirement" age of 55, but the member's retirement  
9 allowance is reduced by 3% per year for each year (1/4 of 1% per  
10 month) the member lacks of being age 55.

11 Sections 9 to 18 of this bill impose a maximum compensation  
12 upon which contributions will be made for TPAF and PERS  
13 purposes for teachers and public employees who become members  
14 of those systems on or after July 1, 2007. The maximum amount  
15 will be the amount of base or the contractual salary equivalent to  
16 the annual maximum wage contribution base for Social Security,  
17 pursuant to the federal Insurance Contributions Act. For 2007, that  
18 amount is \$97,500. A new member for whom this annual maximum  
19 will be reached in any year will become a participant of the newly  
20 created Defined Contribution Retirement Program, unless the  
21 member irrevocably elects to waive the participation. For the  
22 amount of compensation over the maximum compensation, 5.5%  
23 will be deducted as a contribution for the purposes of the program.  
24 When a TPAF or PERS member also becomes a participant in the  
25 Defined Contribution Program, the life insurance and disability  
26 benefit provisions of that program will be available for that  
27 participant.

28 The provisions of this bill concerning "early retirement" and  
29 maximum compensation will apply to teachers and public  
30 employees who become members of the TPAF or PERS on or after  
31 July 1, 2007. This will not apply to a person who at the time of  
32 enrollment in one of these systems on or after July 1, 2007 transfers  
33 service credit from another State-administered retirement system,  
34 but will apply to a former member of one of these systems who has  
35 been granted a retirement allowance and is reenrolled in the  
36 retirement system on or after July 1, 2007 after becoming employed  
37 again in a position that makes the person eligible to be a member of  
38 the retirement system.

39

## 40 II. Health Care Benefits

41

42 In addition, the bill amends the State Health Benefits Program  
43 (SHBP) statutes to reflect changes to the program to be  
44 implemented as the result of binding collective negotiations  
45 agreements between the Executive branch and collective bargaining  
46 units representing State employees. There are two basic changes:  
47 (1) the creation of, and grant of authority, to the State Health  
48 Benefits Commission to contract for the administration of, preferred

1 provider organizations (PPOs) and (2) the establishment of an  
2 employee contribution of 1.5% of the employee's base salary  
3 toward the cost of whatever type of SHBP coverage the employee  
4 has chosen. A PPO is a network of health care providers from  
5 whom an enrollee may obtain services without a gatekeeper  
6 physician for a co-payment fee, with services outside of the network  
7 being more expensive. Over a period of time as collective  
8 negotiations occur with additional employee groups, the PPOs will  
9 cover an increasing number of active employees and retirees in  
10 place of the traditional plan and NJ PLUS. SHBP will continue to  
11 offer health care benefits through health maintenance organizations  
12 (HMOs).

13 Reflecting discussions with the New Jersey Education  
14 Association, the bill also establishes a School Employees' Health  
15 Benefits Program (SEHBP) through the School Employees' Health  
16 Benefits Act. The SEHBP will provide health care benefits for  
17 active and retired education employees through PPOs and HMOs  
18 overseen by a new School Employees' Health Benefits  
19 Commission.

20 Section 19 adds a new definition of a "successor plan" to identify  
21 a PPO plan that replaces the traditional plan. The definitions of  
22 "employee" and "dependents" are updated to reflect coverage of  
23 intermittent employees and partners of a civil union.

24 Section 20 provides that, upon the creation of the SEHBP, the  
25 member of the State Health Benefits Commission representing the  
26 New Jersey Education Association will be replaced by a local  
27 employees' representative.

28 Section 21 describes the structure of the new PPOs and how their  
29 benefits are to reflect the benefits of the traditional plan (e.g.,  
30 maximum out-of-pocket of \$400 per individual and \$1,000 per  
31 family in-network; out-of-network charges reimbursed at 80% with  
32 out-of-pocket maximum of \$2,000 per individual, \$5,000 per  
33 family) and NJ PLUS (e.g., doctor's office visit co-payment of \$15;  
34 out-of-network charges reimbursed at 70%). The section also  
35 recognizes that the State Health Benefits Commission may have  
36 issued a request for proposals for the administration of new plans  
37 not including the traditional plan.

38 Section 22 implements the 1.5% of base salary active employee  
39 contribution to the cost of SHBP benefits for State employees per  
40 ratified agreements and for all non-aligned State employees, as well  
41 as the contribution arrangements for retirees. The section also  
42 provides that an employee may terminate the withholding of the  
43 contribution for SHBP benefits if that employee withdraws from  
44 SHBP coverage and certifies current coverage by other health  
45 benefits.

46 Section 23 describes the services and benefits to be included in  
47 contracts for the new PPOs and provides for coordination between  
48 the State Health Benefits Commission and the new School

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1 Employees' Health Benefits Commission in effectuating provisions  
2 of the School Employees' Health Benefits Program Act, contained  
3 within this bill, which creates the new SEHBP to cover active and  
4 retired educators.

5 Sections 24, 25 and 26 replace references to the traditional plan  
6 or NJ PLUS with the more general references in statutes related to  
7 notification of termination of a physician contract, SHBP coverage  
8 if both husband and wife are eligible for SHBP benefits, and SHBP  
9 benefits for certain members of the National Guard.

10 Sections 27 through 30 amend SHBP statutes to delete references  
11 to school board participation and coverage of education employees  
12 once their health care benefits are under SEHBP.

13 Section 31 provides that Sections 31 through 41 will be known  
14 and cited as the School Employees' Health Benefits Program Act.

15 Section 32 defines terms used for the School Employees' Health  
16 Benefits Program (SEHBP), which is anticipated to be operational  
17 July 1, 2008. Employers able to participate in SEHBP will include  
18 local and regional school districts, county vocational and special  
19 services school districts, jointure and educational services  
20 commissions, State-operated school districts, charter schools, and  
21 county colleges.

22 Sections 33 through 35 create and describe the responsibilities  
23 and powers of the School Employees' Health Benefits Commission,  
24 administered in the Department of the Treasury. The commission  
25 will have nine members: the State Treasurer, the Commissioner of  
26 the Department of Banking and Insurance, an appointee of the  
27 Governor, a person appointed by the Governor from New Jersey  
28 School Board Association nominations, three persons appointed by  
29 the Governor from New Jersey Education Association nominations,  
30 a person appointed by the Governor from New Jersey State AFL-  
31 CIO nominations, and a chairperson appointed by the Governor  
32 from nominations jointly submitted by at least six of the other eight  
33 members of the commission. The Director of the Division of  
34 Pensions and Benefits will serve as secretary.

35 Sections 36 and 39 describe the benefits, services and payment  
36 obligations of the SEHBP, which will include a PPO that is a  
37 successor plan to the traditional plan, a PPO similar to NJ PLUS  
38 and HMOs, with prescription drug benefits provided through the  
39 School Employee Prescription Drug Plan or a free-standing  
40 employer prescription drug plan or the prescription drug part of a  
41 SEHBP plan. Prescription drug benefits for retirees will be provided  
42 through the School Retiree Prescription Drug Plan.

43 Section 40 requires of the School Employees' Health Benefits  
44 Commission certain annual reports, periodic audits and review of  
45 program costs.

46 Section 41 provides that the provisions of the SHBP statutes will  
47 continue to be applicable to SEHBP, except as expressly stated to

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1 the contrary in the School Employees' Health Benefits Program  
2 Act.

3 Sections 42 through 49 amend and supplement existing law to  
4 reflect implementation of the School Employees' Health Benefits  
5 Program.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3004**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 18, 2007

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3004, with committee amendments.

#### I. Pension Benefits

Sections 1 to 6 of this bill increase the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), for Public Employees' Retirement System (PERS), and for the Defined Contribution Retirement Program (DCRP) from 5% of annual compensation to 5.5% of annual compensation. For State employees, teachers and other school district employees currently enrolled in these systems, the increase will be effective with the next payroll period that begins immediately after July 1, 2007. For employees of the Judicial Branch of State government, the University of Medicine and Dentistry, and counties and municipalities, the increase will be effective July 1, 2008.

Sections 7 and 8 of this bill change the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members of the systems on or after July 1, 2007. While such a new member who accrues 25 or more years of service will be able to retire before the service retirement age of 60, the member's retirement allowance will be reduced by 1% per year for each year (1/12 of 1% per month) the member lacks of being age 60 but over age 55 and by 3% per year for each year (1/4 of 1% per month) the member lacks of being age 55. Currently, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55, but the member's retirement allowance is reduced by 3% per year for each year (1/4 of 1% per month) the member lacks of being age 55.

Sections 9 to 18 of this bill impose a maximum compensation upon which contributions will be made for TPAF and PERS purposes for teachers and public employees who become members of those systems on or after July 1, 2007. The maximum amount will be the amount of base or the contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the federal Insurance

Contributions Act. For 2007, that amount is \$97,500. A new member for whom this annual maximum will be reached in any year will become a participant of the newly created Defined Contribution Retirement Program, unless the member irrevocably elects to waive the participation. For the amount of compensation over the maximum compensation, 5.5% will be deducted as a contribution for the purposes of the program. When a TPAF or PERS member also becomes a participant in the Defined Contribution Program, the life insurance and disability benefit provisions of that program will be available for that participant.

The provisions of this bill concerning “early retirement” and maximum compensation will apply to teachers and public employees who become members of the TPAF or PERS on or after July 1, 2007. This will not apply to a person who at the time of enrollment in one of these systems on or after July 1, 2007 transfers service credit from another State-administered retirement system, but will apply to a former member of one of these systems who has been granted a retirement allowance and is reenrolled in the retirement system on or after July 1, 2007 after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

## II. Health Care Benefits

In addition, the bill amends the State Health Benefits Program (SHBP) statutes to reflect changes to the program to be implemented as the result of binding collective negotiations agreements between the Executive branch and collective bargaining units representing State employees. There are two basic changes: (1) the creation of, and grant of authority, to the State Health Benefits Commission to contract for the administration of, preferred provider organizations (PPOs) and (2) the establishment of an employee contribution of 1.5% of the employee’s base salary toward the cost of whatever type of SHBP coverage the employee has chosen. A PPO is a network of health care providers from whom an enrollee may obtain services without a gatekeeper physician for a co-payment fee, with services outside of the network being more expensive. Over a period of time as collective negotiations occur with additional employee groups, the PPOs will cover an increasing number of active employees and retirees in place of the traditional plan and NJ PLUS. SHBP will continue to offer health care benefits through health maintenance organizations (HMOs).

Reflecting discussions with the New Jersey Education Association, the bill also establishes a School Employees’ Health Benefits Program (SEHBP) through the School Employees’ Health Benefits Act. The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees’ Health Benefits Commission.

Section 19 adds a new definition of a “successor plan” to identify a PPO plan that replaces the traditional plan. The definitions of “employee” and “dependents” are updated to reflect coverage of intermittent employees and partners of a civil union.

Section 20 provides that, upon the creation of the SEHBP, the member of the State Health Benefits Commission representing the New Jersey Education Association will be replaced by a local employees’ representative.

Section 21 describes the structure of the new PPOs and how their benefits are to reflect the benefits of the traditional plan (e.g., maximum out-of-pocket of \$400 per individual and \$1,000 per family in-network; out-of-network charges reimbursed at 80% with out-of-pocket maximum of \$2,000 per individual, \$5,000 per family) and NJ PLUS (e.g., doctor’s office visit co-payment of \$15; out-of-network charges reimbursed at 70%). The section also recognizes that the State Health Benefits Commission may have issued a request for proposals for the administration of new plans not including the traditional plan.

Section 22 implements the 1.5% of base salary active employee contribution to the cost of SHBP benefits for State employees per ratified agreements and for all non-aligned State employees, as well as the contribution arrangements for retirees. The section also provides that an employee may terminate the withholding of the contribution for SHBP benefits if that employee withdraws from SHBP coverage and certifies current coverage by other health benefits.

Section 23 describes the services and benefits to be included in contracts for the new PPOs and provides for coordination between the State Health Benefits Commission and the new School Employees’ Health Benefits Commission in effectuating provisions of the School Employees’ Health Benefits Program Act, contained within this bill, which creates the new SEHBP to cover active and retired educators.

Sections 24, 25 and 26 replace references to the traditional plan or NJ PLUS with the more general references in statutes related to notification of termination of a physician contract, SHBP coverage if both husband and wife are eligible for SHBP benefits, and SHBP benefits for certain members of the National Guard.

Sections 27 through 30 amend SHBP statutes to delete references to school board participation and coverage of education employees once their health care benefits are under SEHBP.

Section 31 provides that sections 31 through 41 will be known and cited as the School Employees’ Health Benefits Program Act.

Section 32 defines terms used for the School Employees’ Health Benefits Program (SEHBP), which is anticipated to be operational July 1, 2008. Employers able to participate in SEHBP will include local and regional school districts, county vocational and special services school districts, jointure and educational services commissions, State-operated school districts, charter schools, and county colleges.

Sections 33 through 35 create and describe the responsibilities and powers of the School Employees' Health Benefits Commission, administered in the Department of the Treasury. The commission will have nine members: the State Treasurer, the Commissioner of the Department of Banking and Insurance, an appointee of the Governor, a person appointed by the Governor from New Jersey School Board Association nominations, three persons appointed by the Governor from New Jersey Education Association nominations, a person appointed by the Governor from New Jersey State AFL-CIO nominations, and a chairperson appointed by the Governor from nominations jointly submitted by at least six of the other eight members of the commission. The Director of the Division of Pensions and Benefits will serve as secretary.

Sections 36 and 39 describe the benefits, services and payment obligations of the SEHBP, which will include a PPO that is a successor plan to the traditional plan, a PPO similar to NJ PLUS and HMOs, with prescription drug benefits provided through the School Employee Prescription Drug Plan or a free-standing employer prescription drug plan or the prescription drug part of a SEHBP plan. Prescription drug benefits for retirees will be provided through the School Retiree Prescription Drug Plan.

Section 40 requires of the School Employees' Health Benefits Commission certain annual reports, periodic audits and review of program costs.

Section 41 provides that the provisions of the SHBP statutes will continue to be applicable to SEHBP, except as expressly stated to the contrary in the School Employees' Health Benefits Program Act.

Sections 42 through 49 amend and supplement existing law to reflect implementation of the School Employees' Health Benefits Program and other changes to health care benefits.

#### COMMITTEE AMENDMENTS:

##### Pension Benefits

The amendment changes the new provision in section 2 of the bill that provides for the increased employee contribution to the Public Employees' Retirement System (PERS) (from 5% to 5.5%) so that the increase begins July 1, 2007 for all new members, and with the payroll period that begins after July 1, 2007 for current members, who are:

employees of the State, other than employees of the Judicial Branch;

employees of an independent State authority, board, commission, corporation, agency or organization;

employees of a local school district, regional school district, county vocational school district, county special services school district, jointure commission, educational services commission, State-operated school district, charter school, county college, any officer,



board, or commission under the authority of the Commissioner of Education or of the State Board of Education, and any other public entity which is established pursuant to authority provided by Title 18A of the New Jersey Statutes; or

employees of a State public institution of higher education, other than the University of Medicine and Dentistry of New Jersey.

The increase in the employee contribution rate for all other members of the PERS will be effective July 1, 2008.

The amendment changes the new provision in section 12 of the bill that permits certain persons to irrevocably waive participation in the Defined Contribution Retirement Program. The persons specified are those members of the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System for whom compensation is defined as the amount of base or contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the federal Insurance Contributions Act, for contribution and benefit purposes in either of those retirement systems, for whom participation in the Defined Contribution Retirement Program is with regard to any excess over the maximum compensation only. The amendment permits such a person to waive participation when first eligible, but permits the person to elect to participate at a later time, with such election effective on the January 1 following a participation request.

#### Health Care Benefits

The amendment changes the new provision in section 21 of the bill that describes contract requirements for contracts that the State Health Benefits Commission enters into after June 30, 2007 so that the description includes "one or more health maintenance organizations plans", as well as the already specified successor plan and State managed care plan.

The amendment changes the new provision in section 22 of the bill that provides for a contribution, as a share in the cost of health care benefits, by State retirees who attain 25 or more years of service, and who retire, on or after July 1, 2007 so that the contribution will not be effective until the New Jersey Retirees' Wellness Program is open for enrollment. Thereafter, the contribution will be waived for a retiree who participates in the wellness program. The wellness program is a pilot program during the current contract period. Prior to the conclusion of the program, the Division of Pension and Benefits shall submit a report on the savings achieved as a result of wellness program, within three years after the program's implementation or by December 30, 2010, whichever is earlier.

The amendment changes the new provision in section 23 of the bill to require that a contract purchased by the State Health Benefits Commission after June 30, 2007 include coverage for services and benefits equal to or exceeding the level of services and benefits listed in the subsection that is amended by this amendment.

The amendments to sections 48 and 49 of the bill are technical

corrections.

#### State Investment Council Provisions

The amendment adds two new sections (50 and 51) to the bill.

The amendment in section 50 of the bill changes the membership of the State Investment Council from 11 to 13 members, with the addition of one member to be appointed by the Governor from among three persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO to serve for a term of three years, and one member to be appointed by the Governor from among three persons nominated by the New Jersey Education Association (NJEA) to serve for a term of three years. If the persons nominated are not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

The number of appointments made by the Governor with the advice and consent of the Senate is increased from five to six.

The four members designated from the Board of Trustees of the Public Employees' Retirement System, the Board of Trustees of the State Police Retirement System, the Board of Trustees of the Teachers' Pension and Annuity Fund, and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey is changed to four members elected by the boards from the active members of their respective retirement systems or from the retirees of those systems who are receiving a retirement allowance. The term of these members is increased from one to three years. The member from the Consolidated Police and Firemen's Pension Fund Commission is eliminated.

The two members appointed from the persons nominated by the AFL-CIO and the NJEA will be qualified by training, experience or long-term interest in the direct management, analysis, supervision, or investment of assets. This training, experience or long-term interest is to have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields. At least five of the seven members appointed by the Governor with the advice and consent of the Senate and from persons nominated by the General Assembly Speaker or Senate President will be qualified by training and experience in the direct management, analysis, supervision or investment of assets, provided that this training and experience has been acquired through academic training or through actual employment in those fields.

The terms of the members of the council serving on the 30th day after the bill takes effect, other than the five members appointed by the Governor with the advice and consent of the Senate to serve for terms of five years and the one member appointed by the Governor from persons nominated jointly by the President of the Senate and the Speaker of the General Assembly to serve for a term of five years, are terminated.

The amendment in section 51 of the bill requires the members of the State Investment Council to file the same annual financial disclosure statements as those required to be filed by members of other State boards and commissions who are not compensated for their services, as required by law or executive order of the Governor. The financial disclosure statements of council members will be made available to the public in the same manner as the statements of members of other State boards and commissions are made available to the public.

The amendment requires the council to issue a report by March 1 of each year, in addition to the reports already required by law, on the investment activities for the prior calendar year, to include a summary of the current investment policies and strategies of the council and those in effect during the prior calendar year, a detailed summary for each financial product of the amount invested, whether the investments were made by employees of the Division of Investment or by external managers, performance benchmarks, and actual performance during the calendar year. The report is to be submitted to the Governor, the Legislature, and the State Treasurer, and made available to the public through the official Internet site of the State.

The council is required to hold an open public meeting each year, and accept comments from the public at such a meeting. The matters that will be open to discussion and public comment during this annual meeting will include the investment policies and strategies of the council, the investment activities of the council, the financial disclosure statements filed by council members, and the certification of contributions filed by external managers, as well as other appropriate matters concerning the operations, activities and reports of the council.

Finally, the amendment requires an external manager to file a certification before being retained and annually thereafter that discloses the political contributions made during the 12 months preceding the certification by the manager or the manager's firm, or a political committee in which the manager or firm was active. The certification must specify the political contributions made to candidates for elective public office in this State and any political committee established for the support of such a candidate, and contributions made for the transition and inaugural expenses of any candidate who is elected to public office. As used here, "contribution" and "political committee" will have the meaning set forth in "The New Jersey Campaign Contributions and Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et seq.).

FISCAL IMPACT:

As amended, this bill would increase the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), for specified members of the Public Employees' Retirement System (PERS), and for the Defined Contribution Retirement Program (DCRP) from five percent of annual compensation to five and one-half percent of annual compensation. For State and education employees, currently enrolled in these systems, the increase will be effective with the next payroll period that begins immediately after July 1, 2007. County and municipal employees, which account for approximately 44 percent of all local government PERS members, will contribute the additional one-half of one percent of annual compensation beginning July 1, 2008. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services' FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, the estimated increase in annual employee contributions for the first year would total approximately \$101.3 million:

PERS-State	\$22.8 million
PERS	\$33.7 million
<u>TPAF</u>	<u>\$44.8 million.</u>
Total	\$101.3 million

However, the bill, as amended, would defer the judicial, county and municipal employee additional contribution of one-half of one percent until July 1, 2008. As a result, the estimated fiscal impact of this bill in the first year would be \$84.1 million.

PERS-State less Judicial Branch members	\$20.4 million
PERS-Local less county, municipal members	\$18.9 million
<u>TPAF</u>	<u>\$44.8 million.</u>
Total	\$84.1 million

It should be noted, however, that this estimate does not include a reduction for employees of UMDNJ for which the increase is also delayed to July 1, 2008.

Under current law, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55, but the member's retirement allowance is reduced by three percent per year for each year (1/4 of one percent per month) the member lacks of being age 55. This bill would change the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members of the systems on or after July 1, 2007. While such a new member who accrues 25 or more years of service will be able to retire before the service retirement age of 60, the member's retirement allowance would be reduced by one percent per year for each year (1/12 of one percent per month) the member lacks of being age 60 but over age 55 and by three percent per year for each year (1/4 of one

percent per month) the member lacks of being age 55. This provision would produce future pension savings. However, at this time, the number of employees who would enter the specified retirement systems on or after July 1, 2007, the number of those employees who would remain in the system long enough to earn meaningful retirement benefits and finally, the number of employees who would elect the "early retirement" options cannot be determined to provide an estimate.

This bill would impose a maximum on compensation for pension contributions for TPAF and PERS members who enter the pension system on or after July 1, 2007. The maximum compensation allowable for contribution in TPAF and PERS would be equivalent to the annual maximum wage contribution base for Social Security as specified. For 2007, that amount is \$97,500. A new member for whom this annual maximum is achieved in any year would become a participant of the newly created Defined Contribution Retirement Program (DCRP). For any amounts earned over the Social Security cap, employee contributions of five and one-half percent would be contributed to the DCRP, unless the participant elects to waive participation, as permitted. The savings associated with this provision are not able to be determined at this time. This is because the factors, i.e., the number of employees who would earn \$97,500 or more beginning July 1, 2007, the inflation rate, the growth in salaries over time, and the increase in the Social Security annual maximum wage contribution, that would be used to estimate the savings are either unknown or dynamic.

In addition, this bill would amend the State Health Benefits Program (SHBP). Specifically, the bill would create and grant authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs) without a Traditional Plan component. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, while there are savings associated with the elimination of the Traditional Plan for State employees and the elimination of the gatekeeper in NJ PLUS, which has a much larger State employee enrollment, there are expected offsetting costs. For State employees, most of the medical plan cost savings known at this time will come from other plan changes (such as increases in office visit and emergency room co-pays). The primary source of State savings is, therefore, attributable to negotiated increases in office visit and prescription drug co-pays and employee premium-share.

Under the plan to amend the State Health Benefits Program, the bill would establish a State employee contribution of one and one-half percent of the employee's base salary toward the cost of the employee's chosen health coverage. The Department of Treasury estimates that the value of the one and one-half percent employee

contribution for health coverage for all State employees including colleges and universities is approximately \$91 million for FY 2008. The current premium-sharing agreement produces approximately \$33 million, for a net savings of \$58 million under the new cost-sharing scenario. However, as amended, the bill would waive the one and one-half percent health benefits contribution for specified retirees who retire on or after July 1, 2007 and who enroll in a New Jersey Retiree's Wellness Program that is yet to be established. At this time, an estimate of the impact of waiving retirees' contributions cannot be made because the wellness program has not yet been established.

**FISCAL ESTIMATE**  
 [First Reprint]  
**SENATE, No. 3004**  
**STATE OF NEW JERSEY**  
**212th LEGISLATURE**

DATED: JULY 9, 2007

**SUMMARY**

**Synopsis:** Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age; implements changes to SHBP and transfer of education employees to School Employees' Health Benefits Program; modifies State Investment Council.

**Type of Impact:** Potential State and Local Government Expenditure Decrease.

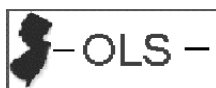
**Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits; Local Governments; School Districts.

**Office of Legislative Services Estimate**

<b>Fiscal Impact*</b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>
<b>PERS/TPAF</b>			
<b>Contributions</b>	\$84,100,000	104,300,000	107,951,000
<b>State Revenue</b>	\$58,000,000	59,740,000	61,831,000

\* The FY 2009 and 2010 figures have been calculated assuming salary increases of 3 percent in FY 2009 and 3.5 percent in FY 2010. Changes in employment levels are not able to be determined at this time. As a result, these figures have not been adjusted to reflect those changes.

- Increases from 5 to 5.5 percent the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Defined Contribution Retirement Program (DCRP).
- Revises the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members on or after July 1, 2007.
- Imposes a cap on compensation for contributions and benefits in TPAF and PERS that is pegged to the annual maximum wage contribution base for Social Security for teachers and public employees who become members of PERS and TPAF on or after July 1, 2007.
- Establishes a State employee contribution, for employees not represented by unions, of 1.5 percent of the employee's base salary toward the cost of the employee's chosen health



coverage under the State Health Benefits Program (SHBP) beginning July 1, 2007; provides for a contribution from all other State employees as determined in collective negotiations agreements.

- Grants authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), with certain benefit levels, without a Traditional Plan component.
- Creates a School Employees' Health Benefits Program for educational employees, with certain benefit levels, with a new commission to operate the program.

### **BILL DESCRIPTION**

Senate Bill No. 3004 (1R) of 2007 increases from 5 to 5.5 percent the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Defined Contribution Retirement Program (DCRP) beginning July 1, 2007. However, it defers the increase for county, municipal, judicial, and UMDNJ employees until July 1, 2008.

Under current law, a member of TPAF or PERS with 25 or more years of service is able to retire before the "early retirement" age of 55. However, if a member retires before turning 55, the retirement allowance is reduced by 3 percent per year for each year prior to turning 55 years of age. This bill reduces retirement allowances under the "early retirement" provisions of the TPAF and PERS for teachers and public employees who become members on or after July 1, 2007. For these employees who retire with 25 years or more of service, the member's retirement allowance will be reduced by 1 percent for each year prior to turning 60 and by 3 percent per year for each year prior to turning 55 years of age.

Under current law, base salary is used for members of PERS and TPAF to determine contributions and benefits. This bill imposes a cap on base salary pegged to the annual maximum wage contribution base for Social Security, and requires that for amounts earned above the Social Security annual maximum wage contribution, a person will be eligible for membership in the DCRP with regard to the portion of the salary over the maximum.

This bill requires a State employee contribution of 1.5 percent of the employee's base salary, or of a monthly retirement allowance for certain retired State employees, toward the cost of the chosen health coverage under SHBP for employees who are not represented by unions. For all other State employees, and county, municipal, and school district employees, the contribution will be determined by collective negotiations agreements. For State retirees, the contribution will not take effect until a Retirees' Wellness Program is created by the SHBP and the contribution will be waived for retirees who participate in the program.

This bill amends the SHBP statutes to remove the requirement for a Traditional Plan for healthcare contracts purchased after June 30, 2007 and to reflect changes to the program to be implemented as the result of certain collective bargaining agreements, and discussions with representatives of public school teachers. Specifically, the bill grants authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), with certain benefit levels, without a Traditional Plan component. A PPO is a network of health care providers from whom an enrollee may obtain services without a gatekeeper physician for a co-payment fee, with services outside of the network being more expensive.



The bill also provides for the creation of a School Employees' Health Benefits Program, with certain benefit levels, to be operated by a new commission.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

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

This bill increases the member contribution rate for TPAF, PERS, and DCRP from 5 to 5.5 percent of annual compensation. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services' FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, the estimated increase in annual employee contributions for the first year, for PERS and TPAF system members, would total approximately \$101.3 million:

PERS-State	\$22.8 million
PERS-Local	\$33.7 million
<u>TPAF</u>	<u>\$44.8 million</u>
Total	\$101.3 million

However, the bill defers the judicial, county, and municipal employee additional contribution until July 1, 2008. As a result, the estimated increase in annual employee contributions in the first year would total approximately \$84.1 million.

PERS-State, less Judicial Branch employees	\$20.4 million
PERS-Local, less county, municipal employees	\$18.9 million
<u>TPAF</u>	<u>\$44.8 million</u>
Total	\$84.1 million

It should be noted, however, that this estimate does not include a reduction for employees of UMDNJ for whom the increase is also delayed to July 1, 2008.

This bill changes the "early retirement" provisions of the TPAF and PERS for retirement eligible teachers and public employees who become members of the systems on or after July 1, 2007. This provision would produce future pension savings. However, at this time, the number of employees who would enter the specified retirement systems on or after July 1, 2007, the number of those employees who would remain in the system long enough to earn meaningful retirement benefits and, finally, the number of employees who would elect the "early retirement" options cannot be determined to provide an estimate.

This bill imposes a maximum on compensation for pension contributions and benefits for TPAF and PERS members who enter the pension system on or after July 1, 2007 based on the annual maximum wage contribution base for Social Security. For 2007, that amount is \$97,500. For any amounts earned over the Social Security cap, the employee will participate in the DCRP, unless the participant elects to waive participation, as permitted. The savings associated with this provision are not able to be determined at this time. This is because the factors, i.e., the number of employees who would earn \$97,500 or more beginning July 1, 2007, the inflation

rate, the growth in salaries over time, and the increase in the Social Security annual maximum wage contribution, that would be used to estimate the savings are either unknown or dynamic.

In addition, this bill amends the SHBP. According to the Department of Treasury's responses to the Discussion Points in the Office of Legislative Services FY 2007-2008 Interdepartmental Accounts Analysis of the Governor's Budget, while there are savings associated with the elimination of the Traditional Plan for State employees and the elimination of the gatekeeper in NJ PLUS, which has a much larger State employee enrollment, there are expected offsetting costs. For State employees, most of the medical plan cost savings known at this time will come from other plan changes (such as increases in office visit and emergency room co-pays). The primary source of State savings is, therefore, attributable to negotiated increases in office visit and prescription drug co-pays and employee cost sharing.

Under the plan to amend the SHBP, the bill establishes a State employee and State retiree, contribution of 1.5 percent of the employee's base salary toward the cost of the employee's chosen health coverage. The Department of Treasury estimates that the value of the 1.5 percent employee contribution for healthcare coverage for all State employees, including colleges and universities, is approximately \$91 million for FY 2008. The current premium-sharing agreement produces approximately \$33 million, for a net savings of \$58 million under the new cost-sharing scenario. The bill waives the 1.5 percent health benefits contribution for specified retirees who retire on or after July 1, 2007 and who enroll in a New Jersey Retiree's Wellness Program that is yet to be established. At this time, an estimate of the impact of waiving retirees' contributions cannot be made because the wellness program has not yet been established.

*Section: State Government*

*Analyst: Kimberly McCord  
Associate Fiscal Analyst*

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

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

# NEW JERSEY LEGISLATURE NEWS RELEASE



**FOR RELEASE:**  
June 6, 2006

**CONTACT:**  
**Senate President Codey**      **Speaker Roberts**  
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## **CODEY, ROBERTS ANNOUNCE PLANS FOR SPECIAL SESSION ON PROPERTY TAXES**

*Legislature to Convene Bicameral, Bipartisan Joint Committees in July;  
Final Action on Property Tax Relief Measures Expected by End of Year*

(TRENTON) – Senate President Richard J. Codey and Assembly Speaker Joseph J. Roberts, Jr., today announced plans for an unprecedented special legislative session that would work throughout the summer and fall with the goal of enacting property tax reforms by the end of this year.

The announcement lays out an unparalleled framework to bring about legislative measures and corresponding action aimed at reducing the property tax burdens of New Jersey residents. It would mark the first time in state history that the Legislature will create special bicameral committees tasked with looking at the property tax problem from all angles.

“For too long property owners have been getting blitzed with taxes advancing further and further. It’s time that we not only hold the line, but push them back,” said Codey (D- Essex). “Unless we attempt to create greater efficiency and reduce spending at the local levels, we will only be chasing our tails.”

“Since New Jersey’s homeowners don’t get a vacation from high property taxes, the Legislature shouldn’t get one either,” said Roberts (D-Camden). “Solving the problem of sky-high property taxes cannot be left to one person, one party, or one half of the Legislature. Today we are launching a full-court press to make major repairs to New Jersey’s broken property tax system.”

The special legislative session process would begin in July when Governor Corzine would frame out the goals and expectations in an address to a joint session of the Legislature.

(MORE)

Following the Governor's address, the Senate and Assembly both would pass joint resolutions to create four bicameral, bipartisan joint committees:

- **Joint Committee on School Funding.** This panel would expand upon the Assembly task force that Speaker Roberts initially proposed in his recent CORE Reform Plan. This joint committee would seek to implement reforms to the current school funding formula to mitigate disparities and inequalities between urban and suburban/rural schools, among other changes;
- **Joint Committee on Benefits Reform.** The committee would use the recommendations from the Pension and Benefits Review Task Force, convened last year by Governor Codey, as the basis for legislative proposals to end abuses of the public benefit system and control benefits costs statewide;
- **Joint Committee on Government Consolidation and Shared Services.** This joint committee would serve as a launch pad for drafting measures to promote service sharing at all levels of government and examine potential consolidation of certain state government functions;
- **Joint Committee on a Citizens' Convention and Constitutional Reform.** The committee would address property tax issues that require constitutional remedies with the goal of laying the groundwork for a Citizen's Convention that would be put to the voters on the November 2007 ballot.

The joint committees would immediately begin work on developing legislative proposals, with a deadline for completing their work by September 30. The proposals would be forwarded to the Legislature's standing committees with the goal of achieving final legislative action by the end of the year.

Codey and Roberts said the plan was created in consultation with Governor Jon S. Corzine, who has called for both a special session and constitutional convention to tackle the state's decades-old problem of repressively high property taxes.

(MORE)

The leaders noted that the measures would be crafted jointly by both the Senate and Assembly, providing insurance against legislative gridlock and increasing the session's chances of success.

Unlike past special sessions – which historically have dissolved into political grandstanding – the Codey/Roberts plan's bicameral and bipartisan approach would ensure careful deliberation and discussion of all ideas.

“History has shown us that most partisan legislative initiatives are rarely successful,” said Codey. “Both houses working together, side by side, will be far more efficient and more meaningful.”

“In the end, taxpayers won't especially care whether this is called a 'special session,' 'special committees,' or 'special process' unless there are real results,” said Roberts. “This must be a process of meeting deadlines, not dead ends.”