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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

Yes

- "State workers offered early retirement," Courier News, 6-25-08, p.____
- "More than 3,800 state workers wooed to retire early," Home News Tribune, 6-25-08, p.____
- "N.J. offers early retirement," Asbury Park Press, 6-25-08, p.A1
- "Employees consider retirement incentives," Courier-Post, 6-25-08, p.1B
- "Guv making the cuts," The Trentonian, 6-25-08, p.____
- "Corzine starts cutting costs," Home News Tribune, 6-25-08, p.____
- "Corzine pens law in start of cost-cutting plan," Burlington County Times, 6-25-08, p.B2
- "Corzine signs worker buyout," The Times, 6-25-08, p.A01
- "Governor signs early retirement program," The Star Ledger, 6-25-08, p.11
- "State workforce is ready to shrink," The Philadelphia Inquirer, 6-25-08, p.B01
- "Corzine signs budget saver," Gloucester County Times, 6-25-08, p.A1
- "Corzine signs early retirement legislation," The Press, 6-25-08, p.A1
- "Pros and cons of state's worker buyout," The Record, 6-25-08, p.A01

LAW

§1 - T&E
§2 –
C.52:18A-248
§3 –
C.52:18A-249

P.L. 2008, CHAPTER 21, *approved June 24, 2008*
Senate, No. 2044 (*First Reprint*)

1 AN ACT providing additional retirement benefits to certain
2 employees of State government ¹[and creating a Workforce
3 Reduction Planning Board]¹ and supplementing Title 52 of the
4 Revised Statutes.
5
6 WHEREAS, The public interest requires the control of long term costs
7 and pension liabilities associated with the retirement of employees
8 of State government pursuant to an early retirement program; and
9 WHEREAS, The public interest requires the maximization of short and
10 long term budget savings associated with the reduction in the
11 overall workforce for the State that will occur as a result of an offer
12 of an early retirement incentive program; and
13 WHEREAS, The public interest requires assurance that a workforce
14 reduction obtained as a result of an early retirement incentive
15 program is maintained by a ¹[cap on the total number of employees
16 to be administered through workforce reduction planning]
17 limitation on hiring replacements for those who retire¹; and
18 WHEREAS, To maximize savings and limit pension liabilities resulting
19 from an early retirement incentive program, it is essential to limit
20 the retirement systems through which an early retirement incentive
21 program will be offered to the Public Employees' Retirement
22 System and the Teachers' Pension and Annuity Fund, to require
23 that any employee who participates in such a program be already
24 eligible to retire from State service and to further limit participation
25 in the program to only a designated subset of employees who
26 already are eligible to retire from State service; and
27 WHEREAS, Because the public interest requires that savings associated
28 with vacancies achieved through an early retirement program not be
29 lost by rehiring retired former employees, directly or indirectly, it is
30 appropriate to establish restrictions prohibiting eligible employees
31 who retire and receive a benefit pursuant to this act from eligibility
32 for employment in, or from being awarded a contract to perform, or
33 from performing professional services for the State as part of a
34 contract awarded to a third party, by the branch of State
35 government from which they retired, for a period of three years
36 following the effective date of retirement; and

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:

¹Senate SBA committee amendments adopted June 19, 2008.

1 **WHEREAS**, To further ensure budget savings and limit liabilities, an
2 early retirement incentive program must not be made available to
3 employees of independent State authorities, or to employees
4 enrolled in certain special sections of the Public Employees'
5 Retirement System, or to certain employees in State departments or
6 agencies when there is a determination that the mission of those
7 departments or agencies are principally related to the provision of
8 direct care or when the nature of their operations otherwise does not
9 permit the imposition of a strict limit on the filling of vacancies;
10 now, therefore,

11
12 **BE IT ENACTED** *by the Senate and General Assembly of the State*
13 *of New Jersey:*

14
15 1. a. An eligible State employee or an eligible Judiciary
16 employee who is at least 58 years of age and has at least 25 years of
17 service credit under the Public Employees' Retirement System,
18 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), or the
19 Teachers' Pension and Annuity Fund, established pursuant
20 N.J.S.18A:66-1 et seq., other than a veteran who retires on a
21 veteran's retirement, shall receive an additional three years of
22 service credit under the Public Employees' Retirement System or
23 the Teachers' Pension and Annuity Fund.

24 An employee who is at least 58 years of age and has at least 25
25 years of service credit and retires on a veteran's retirement under the
26 Public Employees' Retirement System or the Teachers' Pension and
27 Annuity Fund shall receive an additional pension under the
28 retirement system in the amount of 3/55 of the compensation upon
29 which the retirement allowance is based.

30 The additional retirement benefit provided pursuant to this
31 subsection shall be applicable only to the full-time State
32 employment from which an eligible employee retires to receive the
33 benefit and the compensation for that employment.

34 b. For an eligible State employee who is at least 60 years of
35 age and has at least 20, but less than 25, years of service credit
36 under the Public Employees' Retirement System or the Teachers'
37 Pension and Annuity Fund, the retirement system shall pay the
38 premium or periodic charges for benefits provided to the retired
39 State employee and the employee's dependents, but not including
40 survivors, under the "New Jersey State Health Benefits Program
41 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), in the same manner
42 provided for State payment of premiums or periodic charges for a
43 retired State employee with 25 or more years of service credit under
44 section 6 of P.L.1996, c.8 (C.52:14-17.28b) for Public Employees'
45 Retirement System members, and in the same manner provided for
46 State payment of premiums or periodic charges for a qualified
47 retiree from the Teachers' Pension and Annuity Fund under section

1 3 of P.L.1987, c.384 (C.52:14-17.32f) for Teachers' Pension and
2 Annuity Fund members.

3 c. An eligible State employee who is at least 60 years of age
4 and has at least 10, but less than 20, years of service credit under
5 the Public Employees' Retirement System or the Teachers' Pension
6 and Annuity Fund shall receive an additional pension under the
7 Public Employees' Retirement System or the Teachers' Pension and
8 Annuity Fund of \$500 a month in each of the 24 months following
9 the effective date of retirement.

10 d. To receive the benefits provided by this section, an eligible
11 State employee or an eligible Judiciary employee shall submit an
12 application for retirement on or after March 1, 2008 but not later
13 than July 15, 2008 and retire not later than August 1, 2008.

14 Service credit in the Public Employees' Retirement System or
15 the Teachers' Pension and Annuity Fund established through a
16 purchase completed after the effective date of this act, P.L. ,
17 c. (pending before the legislature as this bill), shall not be
18 considered in determining an employee's eligibility for the benefit
19 provided pursuant to subsections a., b., and c. of this section ¹,
20 except that those employees who have previously authorized payroll
21 deductions for a purchase of service credit or those employees who
22 have received a quotation for a purchase of service credit from the
23 Division of Pensions and Benefits within the 90 days prior to the
24 effective date of this act may effectuate the purchase to qualify for
25 eligibility under this act so long as that entire purchase is paid in
26 full by July 15, 2008 or the date of the expiration of the purchase
27 quotation, which ever date is earliest ¹.

28 An application submitted by an eligible State employee or an
29 eligible Judiciary employee for retirement within the time period set
30 forth herein to receive the benefits provided shall be irrevocable
31 seven days after submission.

32 e. For the purpose of this section:

33 "Eligible State employee" means a full-time employee of the
34 Executive Branch of State government eligible to participate in the
35 New Jersey State Health Benefits Program of the State of New
36 Jersey, but not including an employee of the Department of Human
37 Services, Department of Military and Veterans' Affairs, Department
38 of Corrections, Juvenile Justice Commission in but not of the
39 Department of Law and Public Safety, Office of the Public
40 Defender in but not of the Department of the Treasury, and
41 Department of Children and Families.

42 The term shall not include an employee of Rutgers, The State
43 University; the New Jersey Institute of Technology; the University
44 of Medicine and Dentistry of New Jersey; or a State college or
45 university.

46 The term shall not include an employee of a public authority,
47 board, commission, corporation, or other agency or instrumentality
48 of the State allocated in, but not of, a principal department of State

1 government pursuant to Article V, Section IV, paragraph 1 of the
2 New Jersey Constitution authorized to participate in the Public
3 Employees' Retirement System under section 73 of P.L.1954, c.84
4 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), which
5 entity was authorized under P.L.2002, c.23 to provide additional
6 retirement benefits to certain employees, as such entities are
7 identified by the Division of Pensions and Benefits in consideration
8 that the division submits a separate request for payment and
9 receives a separate payment for benefits purposes from the entity.
10 This paragraph shall not be deemed to exclude the New Jersey
11 Commerce and Economic Growth Commission or its successor.

12 The term shall not include an employee of a public agency or
13 organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-
14 71), or a person participating in the Public Employees' Retirement
15 System under the provisions of P.L.1972, c.167 (C.43:15A-135 et
16 seq.), P.L.2001, c.259 (C.43:15A-142 et seq.), P.L.2001, c.366
17 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

18 "Eligible Judiciary employee" means a full-time employee of the
19 Judicial Branch of State Government eligible to participate in the
20 New Jersey State Health Benefits Program of the State of New
21 Jersey. The term shall not include a Justice of the Supreme Court,
22 or a Judge of the Superior Court, or a Judge of a Municipal Court,
23 or an employee of a Municipal Court.

24 f. When the needs of the Executive Branch of State
25 government require the services of an employee who elects to retire
26 and receive a benefit pursuant to this section, a State department
27 may delay the effective date of retirement of the employee until the
28 first day of any calendar month after August 1, 2008, but not later
29 than July 1, 2009. For each such delayed retirement, the State
30 department shall request the approval of the State Treasurer by
31 submitting in writing an explanation of the needs of the department,
32 the services required of the employee, and the reasons why that
33 particular employee's services are so essential as to necessitate a
34 delay. The delay shall be effective only upon approval of the
35 request by the State Treasurer. A request by an eligible State
36 employee for a delay in the effective date of retirement, whether the
37 employee provides reasons for the delay or not, shall not be
38 considered by the State Treasurer unless the State department
39 submits a request for a delay to the State Treasurer with the
40 explanation described above.

41 When the needs of the Judicial Branch of State government
42 require the services of an employee who elects to retire and receive
43 a benefit pursuant to this section, the Judiciary may delay the
44 effective date of retirement of the employee until the first day of
45 any calendar month after August 1, 2008, but not later than July 1,
46 2009, pursuant to protocols to be issued by the Chief Justice of the
47 Supreme Court.

1 An eligible State employee who applies to retire and receive the
2 benefits provided by this section shall be deemed to consent, by that
3 application, to a delay in the employee's effective date of retirement
4 if the State department requests and receives approval for such a
5 delay. An eligible Judiciary Employee who applies to retire and
6 receive the benefits provided by this section shall be deemed to
7 consent, by that application, to a delay in the employee's effective
8 date of retirement if the Chief Justice determines that such a delay
9 is appropriate. Such an employee's receipt of the benefits provided
10 by this section shall be conditioned upon faithful performance of
11 services by the employee during the period of delay.

12 A delay in the effective date of retirement of an eligible State
13 employee or an eligible Judiciary employee shall not extend the
14 time period set forth in this section within which an employee shall
15 qualify for a benefit pursuant to this section. The retirement of an
16 employee for whom the effective date of retirement has been
17 delayed shall be irrevocable.

18 For an eligible State employee or an eligible Judiciary employee
19 who is a member of the Public Employees' Retirement System or
20 the Teachers' Pension and Annuity Fund whose effective date of
21 retirement is delayed and who dies before the retirement becomes
22 effective, the retirement shall be effective as of the first day of the
23 month after the date of death of the member.

24 g. The actuaries for the Public Employees' Retirement System
25 and the Teachers' Pension and Annuity Fund shall determine the
26 liabilities of the retirement systems for the additional service credit
27 or pension provided pursuant to this section and for the early
28 retirement of employees in accordance with the tables of actuarial
29 assumptions adopted by the boards of trustees of the retirement
30 systems. These liabilities shall be added to the accrued liabilities of
31 the State under the retirement systems and shall be funded as
32 provided under section 24 of P.L.1954, c.84 (C.43:15A-24), section
33 2 of P.L.1990, c.6 (C.43:15A-24.1), N.J.S.18A:66-18, and section 2
34 of P.L.1987, c.385 (C.18A:66-18.1), respectively.

35 h. An eligible State employee or an eligible Judiciary employee
36 who retires and receives a benefit pursuant to this section shall
37 forfeit all tenure rights.

38 i. An eligible State employee who retires and receives a
39 benefit pursuant to this section shall not be eligible for appointment
40 to, or employment in, any position or capacity in the Executive
41 Branch of State government ¹, other than employment on an hourly
42 basis for emergency management purposes.¹ for a period of three
43 years following the effective date of retirement. An eligible State
44 employee who retires and receives a benefit pursuant to this section
45 shall be barred from being awarded any contract for professional
46 services by the Executive Branch of State Government, or from
47 performing professional services for the State as part of a contract
48 awarded to a third party by the Executive Branch of State

1 government, for a period of three years following the effective date
2 of retirement.

3 An eligible Judiciary employee who retires and receives a benefit
4 pursuant to this section shall not be eligible for appointment to, or
5 employment in, any position or capacity in the Judicial Branch of
6 State Government for a period of three years following the effective
7 date of retirement. An eligible Judiciary employee who retires and
8 receives a benefit pursuant to this section shall be barred from being
9 awarded any contract for professional services by the Judicial
10 Branch of State Government, or from performing professional
11 services for the State as part of a contract awarded to a third party
12 by the Judicial Branch of State Government, for a period of three
13 years following the effective date of retirement.

14 j. The Director of the Division of Pensions and Benefits in the
15 Department of the Treasury may promulgate rules and regulations
16 that the director deems necessary for the effective implementation
17 of this section. Notwithstanding any provision of the
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
19 seq.) to the contrary, the division may adopt immediately upon
20 filing with the Office of Administrative Law such regulations as the
21 division deems necessary to implement the provisions of this act,
22 which shall be effective for a period not to exceed 270 days
23 following enactment of P.L. , c. (pending before the Legislature
24 as this bill), and may thereafter be amended, adopted, or readopted
25 by the division in accordance with the requirements of the
26 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
27 seq.).

28 k. The Division of Pensions and Benefits in the Department of
29 the Treasury shall report in writing to the Joint Budget Oversight
30 Committee beginning on August 15, 2008, and annually thereafter
31 on or before August 15, through 2014, on the results of the
32 additional retirement benefits provided pursuant to this section.
33 ¹【In cooperation with the Workforce Reduction Planning Board
34 established pursuant to section 2 of P.L. , c. (C.)(pending
35 before the Legislature as this bill) and based¹ Based¹
36 information provided by ¹【the board】 relevant State agencies¹ , the
37 report shall provide an analysis of the impact of this section in order
38 to document the aggregate costs incurred and aggregate savings
39 realized by the State as a result of this section. The report shall
40 include, but need not be limited to, the number of applications to
41 retire filed pursuant to this section; the number of applications to
42 retire approved; the number of delayed retirements; total annual
43 savings; total additional one-time costs; and the corresponding
44 retirement systems unfunded liability.

45
46 ¹【2. (New section) a. There is established in the Department of
47 the Treasury a Workforce Reduction Planning Board composed of
48 five members. The board shall be composed of the State Treasurer;

1 the Director of the Division of Budget and Accounting in the
2 Department of the Treasury; either the chair of the Merit System
3 Board or its successor overseeing civil service matters for the State,
4 or a person designated by the Governor; and two persons designated
5 by the Governor. Not later than July 30, 2008, the State Treasurer
6 shall certify to the board the number of full-time employees,
7 excluding seasonal employees and employees of independent
8 authorities, employed by each department of the Executive Branch
9 of State government as of the final pay period in Fiscal Year 2008.
10 Within 60 days of that certification by the State Treasurer, the board
11 shall establish for each department the maximum number of
12 employees that will be permitted to be on each department's payroll
13 as of the final pay period of Fiscal Year 2009. The aggregate
14 number of employees that will be permitted to be on the payroll for
15 all departments as of the final pay period of Fiscal Year 2009 shall
16 not exceed the number of employees certified by the State Treasurer
17 to be on the payroll as of the final pay period of Fiscal Year 2008,
18 less 90 percent of the number of employees who elect to retire and
19 receive a benefit pursuant to section 1 of P.L. , c. (pending before
20 the Legislature as this bill). For Fiscal Year 2010 and every year
21 thereafter, the number of employees in total for all departments in
22 the Executive Branch of State government shall not exceed the
23 number of employees certified by the State Treasurer to be on the
24 payroll as of the final pay period of Fiscal Year 2008, less 90
25 percent of the number of employees who elect to retire and receive
26 a benefit pursuant to section 1 of P.L. , c. (pending before the
27 Legislature as this bill). The cap established pursuant to this
28 section shall not be exceeded unless specifically authorized by law.

29 b. Within 60 days of the receipt of its maximum employee count
30 from the board, each department shall prepare and submit to the
31 board a plan demonstrating how the department intends to achieve
32 its maximum employee count. The board shall review and approve,
33 or modify and approve, each departmental workforce reduction plan
34 within 30 days of its submittal.

35 c. The board shall submit detailed quarterly reports of its
36 activities to the Joint Budget Oversight Committee and the
37 Governor. The board shall cooperate with the Division of Pensions
38 and Benefits in the Department of the Treasury by providing such
39 information as may be needed for the division to submit the annual
40 reports required by subsection k. of section 1 of P.L. ,
41 c. (pending before the Legislature as this bill).

42 d. The board shall monitor implementation of each departmental
43 workforce reduction plan and departmental compliance with the cap
44 established pursuant to this section. Each department shall fully
45 cooperate with the board in monitoring implementation of the plan,
46 and shall provide the board with such information as may be
47 requested by the board.】'

1 ¹2. (New section) a. The number of employees hired after the
2 effective date of P.L. , c. (pending before the Legislature as this
3 bill) in the Executive Branch to fill the vacancies created directly or
4 indirectly because eligible employees retired to receive additional
5 retirement benefits pursuant to section 1 of P.L. , c. (pending
6 before the Legislature as this bill) shall not exceed, in total for all
7 departments in the Executive Branch of State government, 10
8 percent of the total number of employees who retired pursuant to
9 section 1 of P.L. , c. (pending before the Legislature as this
10 bill), including the employees for whom the effective date of
11 retirement was delayed pursuant to subsection f. of section 1 of
12 P.L. , c. (pending before the Legislature as this bill). A vacancy
13 created directly shall mean a vacancy in the position held by the
14 retiring employee at the time of retirement. A vacancy created
15 indirectly shall mean a vacancy in a position created directly or
16 indirectly by promotion or transfer to fill a vacancy in a position
17 caused by the retiring employee.

18 b. The State Treasurer shall report to the Joint Budget Oversight
19 Committee every six months for the first two years following the
20 date of enactment of P.L. , c. (pending before the Legislature as
21 this bill), and annually thereafter, on the impact of that act on the
22 State workforce, including an analysis of the allocation of position
23 reductions that occur in each department and division as a result of
24 that act and the plans adopted by each department to maintain the
25 essential governmental services provided by that department.¹

26
27 ¹3. (New section) The Chief Justice of the Supreme Court shall
28 establish policies and procedures to ensure that the aggregate
29 number of full-time employees of the Judicial Branch of State
30 government eligible to participate in the New Jersey State Health
31 Benefits Program of the State of New Jersey, other than Justices of
32 the Supreme Court, Judges of the Superior Court, Judges of a
33 Municipal Court, and employees of a Municipal court, who are on
34 the payroll as of the final pay period of Fiscal Year 2009 shall not
35 exceed the number of such employees on the payroll as of April 1,
36 2008, less 90 percent of the number of employees who elect to
37 retire and receive a benefit pursuant to section 1 of P.L. , c.
38 (pending before the Legislature as this bill). For Fiscal Year 2010
39 and every year thereafter, the number of such employees shall not
40 exceed the number of such employees on the payroll as of the final
41 pay period of April 1, 2008, less 90 percent of the number of
42 employees who elect to retire and receive a benefit pursuant to
43 section 1 of P.L. , c. (pending before the Legislature as this bill).
44 The cap established pursuant to this section shall not be exceeded
45 unless specifically authorized by law.]¹

1 ¹3. (New section) The number of employees hired after the
2 effective date of P.L. , c. (pending before the Legislature as this
3 bill) in the Judicial Branch of State government to fill the vacancies
4 created directly or indirectly because eligible employees retired to
5 receive additional retirement benefits pursuant to section 1 of P.L. ,
6 c. (pending before the Legislature as this bill) shall not exceed, in
7 total for the Judicial Branch, 10 percent of the total number of
8 employees who retired pursuant to section 1 of P.L. ,
9 c. (pending before the Legislature as this bill), including the
10 employees for whom the effective date of retirement was delayed
11 pursuant to subsection f. of section 1 of P.L. , c. (pending before
12 the Legislature as this bill). A vacancy created directly shall mean
13 a vacancy in the position held by the retiring employee at the time
14 of retirement. A vacancy created indirectly shall mean a vacancy in
15 a position created directly or indirectly by promotion or transfer to
16 fill a vacancy in a position caused by the retiring employee.¹

17

18 4. This act shall take effect immediately.

19

20

21

22

23 Provides additional retirement benefits to certain employees of
24 State government; limits number of employees hired thereafter to
25 fill vacancies created.

SENATE, No. 2044

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED JUNE 12, 2008

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Mercer)

SYNOPSIS

Provides additional retirement benefits to certain employees of State government; creates Workforce Reduction Planning Board to oversee workforce reduction requirements in Executive Branch; imposes limit on number of employees in Executive and Judicial Branch.

CURRENT VERSION OF TEXT

As introduced.



S2044 TURNER

2

1 **AN ACT** providing additional retirement benefits to certain
2 employees of State government and creating a Workforce
3 Reduction Planning Board and supplementing Title 52 of the
4 Revised Statutes.

5
6 **WHEREAS**, The public interest requires the control of long term costs
7 and pension liabilities associated with the retirement of employees
8 of State government pursuant to an early retirement program; and

9 **WHEREAS**, The public interest requires the maximization of short and
10 long term budget savings associated with the reduction in the
11 overall workforce for the State that will occur as a result of an offer
12 of an early retirement incentive program; and

13 **WHEREAS**, The public interest requires assurance that a workforce
14 reduction obtained as a result of an early retirement incentive
15 program is maintained by a cap on the total number of employees to
16 be administered through workforce reduction planning; and

17 **WHEREAS**, To maximize savings and limit pension liabilities resulting
18 from an early retirement incentive program, it is essential to limit
19 the retirement systems through which an early retirement incentive
20 program will be offered to the Public Employees' Retirement
21 System and the Teachers' Pension and Annuity Fund, to require
22 that any employee who participates in such a program be already
23 eligible to retire from State service and to further limit participation
24 in the program to only a designated subset of employees who
25 already are eligible to retire from State service; and

26 **WHEREAS**, Because the public interest requires that savings associated
27 with vacancies achieved through an early retirement program not be
28 lost by rehiring retired former employees, directly or indirectly, it is
29 appropriate to establish restrictions prohibiting eligible employees
30 who retire and receive a benefit pursuant to this act from eligibility
31 for employment in, or from being awarded a contract to perform, or
32 from performing professional services for the State as part of a
33 contract awarded to a third party, by the branch of State
34 government from which they retired, for a period of three years
35 following the effective date of retirement; and

36 **WHEREAS**, To further ensure budget savings and limit liabilities, an
37 early retirement incentive program must not be made available to
38 employees of independent State authorities, or to employees
39 enrolled in certain special sections of the Public Employees'
40 Retirement System, or to certain employees in State departments or
41 agencies when there is a determination that the mission of those
42 departments or agencies are principally related to the provision of
43 direct care or when the nature of their operations otherwise does not
44 permit the imposition of a strict limit on the filling of vacancies;
45 now, therefore,

46
47 **BE IT ENACTED** *by the Senate and General Assembly of the State*
48 *of New Jersey:*

S2044 TURNER

1 1. a. An eligible State employee or an eligible Judiciary
2 employee who is at least 58 years of age and has at least 25 years of
3 service credit under the Public Employees' Retirement System,
4 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), or the
5 Teachers' Pension and Annuity Fund, established pursuant
6 N.J.S.18A:66-1 et seq., other than a veteran who retires on a
7 veteran's retirement, shall receive an additional three years of
8 service credit under the Public Employees' Retirement System or
9 the Teachers' Pension and Annuity Fund.

10 An employee who is at least 58 years of age and has at least 25
11 years of service credit and retires on a veteran's retirement under the
12 Public Employees' Retirement System or the Teachers' Pension and
13 Annuity Fund shall receive an additional pension under the
14 retirement system in the amount of 3/55 of the compensation upon
15 which the retirement allowance is based.

16 The additional retirement benefit provided pursuant to this
17 subsection shall be applicable only to the full-time State
18 employment from which an eligible employee retires to receive the
19 benefit and the compensation for that employment.

20 b. For an eligible State employee who is at least 60 years of age
21 and has at least 20, but less than 25, years of service credit under
22 the Public Employees' Retirement System or the Teachers' Pension
23 and Annuity Fund, the retirement system shall pay the premium or
24 periodic charges for benefits provided to the retired State employee
25 and the employee's dependents, but not including survivors, under
26 the "New Jersey State Health Benefits Program Act," P.L.1961,
27 c.49 (C.52:14-17.25 et seq.), in the same manner provided for State
28 payment of premiums or periodic charges for a retired State
29 employee with 25 or more years of service credit under section 6 of
30 P.L.1996, c.8 (C.52:14-17.28b) for Public Employees' Retirement
31 System members, and in the same manner provided for State
32 payment of premiums or periodic charges for a qualified retiree
33 from the Teachers' Pension and Annuity Fund under section 3 of
34 P.L.1987, c.384 (C.52:14-17.32f) for Teachers' Pension and
35 Annuity Fund members.

36 c. An eligible State employee who is at least 60 years of age and
37 has at least 10, but less than 20, years of service credit under the
38 Public Employees' Retirement System or the Teachers' Pension and
39 Annuity Fund shall receive an additional pension under the Public
40 Employees' Retirement System or the Teachers' Pension and
41 Annuity Fund of \$500 a month in each of the 24 months following
42 the effective date of retirement.

43 d. To receive the benefits provided by this section, an eligible
44 State employee or an eligible Judiciary employee shall submit an
45 application for retirement on or after March 1, 2008 but not later
46 than July 15, 2008 and retire not later than August 1, 2008.

47 Service credit in the Public Employees' Retirement System or
48 the Teachers' Pension and Annuity Fund established through a

S2044 TURNER

1 purchase completed after the effective date of this act, P.L. , c.
2 (pending before the legislature as this bill), shall not be considered
3 in determining an employee's eligibility for the benefit provided
4 pursuant to subsections a., b., and c. of this section.

5 An application submitted by an eligible State employee or an
6 eligible Judiciary employee for retirement within the time period set
7 forth herein to receive the benefits provided shall be irrevocable
8 seven days after submission.

9 e. For the purpose of this section:

10 "Eligible State employee" means a full-time employee of the
11 Executive Branch of State government eligible to participate in the
12 New Jersey State Health Benefits Program of the State of New
13 Jersey, but not including an employee of the Department of Human
14 Services, Department of Military and Veterans' Affairs, Department
15 of Corrections, Juvenile Justice Commission in but not of the
16 Department of Law and Public Safety, Office of the Public
17 Defender in but not of the Department of the Treasury, and
18 Department of Children and Families.

19 The term shall not include an employee of Rutgers, The State
20 University; the New Jersey Institute of Technology; the University
21 of Medicine and Dentistry of New Jersey; or a State college or
22 university.

23 The term shall not include an employee of a public authority,
24 board, commission, corporation, or other agency or instrumentality
25 of the State allocated in, but not of, a principal department of State
26 government pursuant to Article V, Section IV, paragraph 1 of the
27 New Jersey Constitution authorized to participate in the Public
28 Employees' Retirement System under section 73 of P.L.1954, c.84
29 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), which
30 entity was authorized under P.L.2002, c.23 to provide additional
31 retirement benefits to certain employees, as such entities are
32 identified by the Division of Pensions and Benefits in consideration
33 that the division submits a separate request for payment and
34 receives a separate payment for benefits purposes from the entity.
35 This paragraph shall not be deemed to exclude the New Jersey
36 Commerce and Economic Growth Commission or its successor.

37 The term shall not include an employee of a public agency or
38 organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-
39 71), or a person participating in the Public Employees' Retirement
40 System under the provisions of P.L.1972, c.167 (C.43:15A-135 et
41 seq.), P.L.2001, c. 259 (C.43:15A-142 et seq.), P.L.2001, c.366
42 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

43 "Eligible Judiciary employee" means a full-time employee of the
44 Judicial Branch of State Government eligible to participate in the
45 New Jersey State Health Benefits Program of the State of New
46 Jersey. The term shall not include a Justice of the Supreme Court,
47 or a Judge of the Superior Court, or a Judge of a Municipal Court,
48 or an employee of a Municipal Court.

1 f. When the needs of the Executive Branch of State government
2 require the services of an employee who elects to retire and receive
3 a benefit pursuant to this section, a State department may delay the
4 effective date of retirement of the employee until the first day of
5 any calendar month after August 1, 2008, but not later than July 1,
6 2009. For each such delayed retirement, the State department shall
7 request the approval of the State Treasurer by submitting in writing
8 an explanation of the needs of the department, the services required
9 of the employee, and the reasons why that particular employee's
10 services are so essential as to necessitate a delay. The delay shall
11 be effective only upon approval of the request by the State
12 Treasurer. A request by an eligible State employee for a delay in
13 the effective date of retirement, whether the employee provides
14 reasons for the delay or not, shall not be considered by the State
15 Treasurer unless the State department submits a request for a delay
16 to the State Treasurer with the explanation described above.

17 When the needs of the Judicial Branch of State government
18 require the services of an employee who elects to retire and receive
19 a benefit pursuant to this section, the Judiciary may delay the
20 effective date of retirement of the employee until the first day of
21 any calendar month after August 1, 2008, but not later than July 1,
22 2009, pursuant to protocols to be issued by the Chief Justice of the
23 Supreme Court.

24 An eligible State employee who applies to retire and receive the
25 benefits provided by this section shall be deemed to consent, by that
26 application, to a delay in the employee's effective date of retirement
27 if the State department requests and receives approval for such a
28 delay. An eligible Judiciary Employee who applies to retire and
29 receive the benefits provided by this section shall be deemed to
30 consent, by that application, to a delay in the employee's effective
31 date of retirement if the Chief Justice determines that such a delay
32 is appropriate. Such an employee's receipt of the benefits provided
33 by this section shall be conditioned upon faithful performance of
34 services by the employee during the period of delay.

35 A delay in the effective date of retirement of an eligible State
36 employee or an eligible Judiciary employee shall not extend the
37 time period set forth in this section within which an employee shall
38 qualify for a benefit pursuant to this section. The retirement of an
39 employee for whom the effective date of retirement has been
40 delayed shall be irrevocable.

41 For an eligible State employee or an eligible Judiciary employee
42 who is a member of the Public Employees' Retirement System or
43 the Teachers' Pension and Annuity Fund whose effective date of
44 retirement is delayed and who dies before the retirement becomes
45 effective, the retirement shall be effective as of the first day of the
46 month after the date of death of the member.

47 g. The actuaries for the Public Employees' Retirement System
48 and the Teachers' Pension and Annuity Fund shall determine the

1 liabilities of the retirement systems for the additional service credit
2 or pension provided pursuant to this section and for the early
3 retirement of employees in accordance with the tables of actuarial
4 assumptions adopted by the boards of trustees of the retirement
5 systems. These liabilities shall be added to the accrued liabilities of
6 the State under the retirement systems and shall be funded as
7 provided under section 24 of P.L.1954, c.84 (C.43:15A-24), section
8 2 of P.L.1990, c.6 (C.43:15A-24.1), N.J.S.18A:66-18, and section 2
9 of P.L.1987, c.385 (C.18A:66-18.1), respectively.

10 h. An eligible State employee or an eligible Judiciary employee
11 who retires and receives a benefit pursuant to this section shall
12 forfeit all tenure rights.

13 i. An eligible State employee who retires and receives a benefit
14 pursuant to this section shall not be eligible for appointment to, or
15 employment in, any position or capacity in the Executive Branch of
16 State government for a period of three years following the effective
17 date of retirement. An eligible State employee who retires and
18 receives a benefit pursuant to this section shall be barred from being
19 awarded any contract for professional services by the Executive
20 Branch of State Government, or from performing professional
21 services for the State as part of a contract awarded to a third party
22 by the Executive Branch of State government, for a period of three
23 years following the effective date of retirement.

24 An eligible Judiciary employee who retires and receives a benefit
25 pursuant to this section shall not be eligible for appointment to, or
26 employment in, any position or capacity in the Judicial Branch of
27 State Government for a period of three years following the effective
28 date of retirement. An eligible Judiciary employee who retires and
29 receives a benefit pursuant to this section shall be barred from being
30 awarded any contract for professional services by the Judicial
31 Branch of State Government, or from performing professional
32 services for the State as part of a contract awarded to a third party
33 by the Judicial Branch of State Government, for a period of three
34 years following the effective date of retirement.

35 j. The Director of the Division of Pensions and Benefits in the
36 Department of the Treasury may promulgate rules and regulations
37 that the director deems necessary for the effective implementation
38 of this section. Notwithstanding any provision of the
39 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
40 seq.) to the contrary, the division may adopt immediately upon
41 filing with the Office of Administrative Law such regulations as the
42 division deems necessary to implement the provisions of this act,
43 which shall be effective for a period not to exceed 270 days
44 following enactment of P.L. , c. (pending before the Legislature
45 as this bill), and may thereafter be amended, adopted, or readopted
46 by the division in accordance with the requirements of the
47 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
48 seq.).

S2044 TURNER

1 k. The Division of Pensions and Benefits in the Department of
2 the Treasury shall report in writing to the Joint Budget Oversight
3 Committee beginning on August 15, 2008, and annually thereafter
4 on or before August 15, through 2014, on the results of the
5 additional retirement benefits provided pursuant to this section. In
6 cooperation with the Workforce Reduction Planning Board
7 established pursuant to section 2 of P.L. , c. (C.)(pending
8 before the Legislature as this bill) and based on information
9 provided by the board, the report shall provide an analysis of the
10 impact of this section in order to document the aggregate costs
11 incurred and aggregate savings realized by the State as a result of
12 this section. The report shall include, but need not be limited to, the
13 number of applications to retire filed pursuant to this section; the
14 number of applications to retire approved; the number of delayed
15 retirements; total annual savings; total additional one-time costs;
16 and the corresponding retirement systems unfunded liability.

17

18 2. (New section) a. There is established in the Department of
19 the Treasury a Workforce Reduction Planning Board composed of
20 five members. The board shall be composed of the State Treasurer;
21 the Director of the Division of Budget and Accounting in the
22 Department of the Treasury; either the chair of the Merit System
23 Board or its successor overseeing civil service matters for the State,
24 or a person designated by the Governor; and two persons designated
25 by the Governor. Not later than July 30, 2008, the State Treasurer
26 shall certify to the board the number of full-time employees,
27 excluding seasonal employees and employees of independent
28 authorities, employed by each department of the Executive Branch
29 of State government as of the final pay period in Fiscal Year 2008.
30 Within 60 days of that certification by the State Treasurer, the board
31 shall establish for each department the maximum number of
32 employees that will be permitted to be on each department's payroll
33 as of the final pay period of Fiscal Year 2009. The aggregate
34 number of employees that will be permitted to be on the payroll for
35 all departments as of the final pay period of Fiscal Year 2009 shall
36 not exceed the number of employees certified by the State Treasurer
37 to be on the payroll as of the final pay period of Fiscal Year 2008,
38 less 90 percent of the number of employees who elect to retire and
39 receive a benefit pursuant to section 1 of P.L. , c. (pending before
40 the Legislature as this bill). For Fiscal Year 2010 and every year
41 thereafter, the number of employees in total for all departments in
42 the Executive Branch of State government shall not exceed the
43 number of employees certified by the State Treasurer to be on the
44 payroll as of the final pay period of Fiscal Year 2008, less 90
45 percent of the number of employees who elect to retire and receive
46 a benefit pursuant to section 1 of P.L. , c. (pending before the
47 Legislature as this bill). The cap established pursuant to this
48 section shall not be exceeded unless specifically authorized by law.

1 b. Within 60 days of the receipt of its maximum employee count
2 from the board, each department shall prepare and submit to the
3 board a plan demonstrating how the department intends to achieve
4 its maximum employee count. The board shall review and approve,
5 or modify and approve, each departmental workforce reduction plan
6 within 30 days of its submittal.

7 c. The board shall submit detailed quarterly reports of its
8 activities to the Joint Budget Oversight Committee and the
9 Governor. The board shall cooperate with the Division of Pensions
10 and Benefits in the Department of the Treasury by providing such
11 information as may be needed for the division to submit the annual
12 reports required by subsection k. of section 1 of P.L. , c.
13 (pending before the Legislature as this bill).

14 d. The board shall monitor implementation of each departmental
15 workforce reduction plan and departmental compliance with the cap
16 established pursuant to this section. Each department shall fully
17 cooperate with the board in monitoring implementation of the plan,
18 and shall provide the board with such information as may be
19 requested by the board.

20

21 3. (New section) The Chief Justice of the Supreme Court shall
22 establish policies and procedures to ensure that the aggregate
23 number of full-time employees of the Judicial Branch of State
24 government eligible to participate in the New Jersey State Health
25 Benefits Program of the State of New Jersey, other than Justices of
26 the Supreme Court, Judges of the Superior Court, Judges of a
27 Municipal Court, and employees of a Municipal court, who are on
28 the payroll as of the final pay period of Fiscal Year 2009 shall not
29 exceed the number of such employees on the payroll as of April 1,
30 2008, less 90 percent of the number of employees who elect to
31 retire and receive a benefit pursuant to section 1 of P.L. , c.
32 (pending before the Legislature as this bill). For Fiscal Year 2010
33 and every year thereafter, the number of such employees shall not
34 exceed the number of such employees on the payroll as of the final
35 pay period of April 1, 2008, less 90 percent of the number of
36 employees who elect to retire and receive a benefit pursuant to
37 section 1 of P.L. , c. (pending before the Legislature as this bill).
38 The cap established pursuant to this section shall not be exceeded
39 unless specifically authorized by law.

40

41 4. This act shall take effect immediately.

42

43

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STATEMENT

45

46 This bill provides additional retirement benefits to eligible State
47 employees in the Executive Branch of State government and
48 eligible Judiciary employees in the Judicial Branch of State

S2044 TURNER

1 government who apply to retire on or after March 1, 2008 but by
2 July 15, 2008 and retire by August 1, 2008.

3 An eligible State employee or an eligible Judiciary employee
4 who is at least 58 years of age and has at least 25 years of service
5 credit under the Public Employees' Retirement System (PERS) or
6 the Teachers' Pension and Annuity Fund (TPAF) will receive an
7 additional three years of service credit. An employee who is at
8 least 58 years of age and has at least 25 years of service credit and
9 retires on a veteran's retirement under the PERS or the TPAF will
10 receive an additional pension in the amount of 3/55 of the
11 compensation upon which the retirement allowance is based.

12 For an eligible State employee, but not an eligible Judiciary
13 employee, who is at least 60 years of age and has at least 20, but
14 less than 25, years of service credit under the PERS or the TPAF,
15 the retirement system will pay the premium or periodic charges for
16 health care benefits provided to the retired State employee and the
17 employee's dependents, but not including survivors, under the State
18 Health Benefits Program, in the same manner provided for State
19 payment of premiums or periodic charges for a retired State
20 employee with 25 or more years of service credit under current law
21 and in the same manner provided for State payment of premiums or
22 periodic charges for a qualified retiree from the TPAF under current
23 law.

24 An eligible State employee, but not an eligible Judiciary
25 employee, who is at least 60 years of age and has at least 10, but
26 less than 20, years of service credit under the PERS or the TPAF
27 will receive an additional pension of \$500 a month for 24 months
28 following the date of retirement.

29 To receive these benefits, an eligible State employee or an
30 eligible Judiciary employee must submit an application for
31 retirement on or after March 1, 2008 but by July 15, 2008 and retire
32 no later than August 1, 2008. An application submitted by an
33 eligible State employee or an eligible Judiciary employee for
34 retirement within the time period set to receive the benefits
35 provided will be irrevocable seven days after submission.

36 An "eligible State employee" means a full-time employee of the
37 Executive Branch of State government eligible to participate in the
38 New Jersey State Health Benefits Program of the State of New
39 Jersey, but not including an employee of the Department of Human
40 Services, Department of Military and Veterans' Affairs, Department
41 of Corrections, Juvenile Justice Commission in but not of the
42 Department of Law and Public Safety, Office of the Public
43 Defender in but not of the Department of the Treasury, and
44 Department of Children and Families.

45 The term does not include an employee of Rutgers, The State
46 University; the New Jersey Institute of Technology; the University
47 of Medicine and Dentistry of New Jersey; or a State college or
48 university.

1 The term does not include an employee of a public authority,
2 board, commission, corporation, or other agency or instrumentality
3 of the State allocated in, but not of, a principal department of State
4 government pursuant to Article V, Section IV, paragraph 1 of the
5 New Jersey Constitution, authorized to participate in the Public
6 Employees' Retirement System under section 73 of P.L.1954, c.84
7 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), or an
8 employee of a public agency or organization as defined in section
9 71 of P.L.1954, c.84 (C.43:15A-71), or a person participating in the
10 Public Employees' Retirement System under the provisions of
11 P.L.1972, c.167 (C.43:15A-135 et seq.), P.L.2001, c. 259
12 (C.43:15A-142 et seq.), P.L.2001, c.366 (C.43:15A-155 et seq.) or
13 P.L.1953, c.202 (C.32:23-1 et seq.).

14 "Eligible Judiciary employee" means a full-time employee of the
15 Judicial branch of State Government eligible to participate in the
16 New Jersey State Health Benefits Program of the State of New
17 Jersey. The term does not include a Justice of the Supreme Court,
18 or a Judge of the Superior Court, or a Judge of a Municipal Court or
19 an employee of a Municipal Court.

20 An eligible State employee who retires and receives a benefit
21 will not be eligible for appointment to, or employment in, any
22 position or capacity in the Executive Branch of State government
23 for a period of three years following the effective date of
24 retirement. An eligible State employee who retires and receives a
25 benefit will be barred from being awarded any contract for
26 professional services by the Executive Branch of State government,
27 or from performing professional services for the State as part of a
28 contract awarded to a third party by the Executive Branch of State
29 government, for a period of three years following the effective date
30 of retirement.

31 An eligible Judiciary employee who retires and receives a benefit
32 pursuant to this section will not be eligible for appointment to, or
33 employment in, any position or capacity in the Judicial Branch of
34 State Government for a period of three years following the effective
35 date of retirement. An eligible Judiciary employee who retires and
36 receives a benefit will be barred from being awarded any contract
37 for professional services by the Judicial Branch of State
38 Government, or from performing professional services for the State
39 as part of a contract awarded to a third party by the Judicial Branch
40 of State Government, for a period of three years following the
41 effective date of retirement.

42 When the needs of the Executive Branch of State government
43 require the services of an employee who elects to retire and receive
44 a benefit, a State department may delay the effective date of
45 retirement of the employee until the first day of any calendar month
46 after August 1, 2008, but not later than July 1, 2009. For each such
47 delayed retirement, the State department must request the approval
48 of the State Treasurer by submitting in writing an explanation of the

1 needs of the department, the services required of the employee, and
2 the reasons why that particular employee's services are so essential
3 as to necessitate a delay. The delay will be effective only upon
4 approval of the request by the State Treasurer. A request by an
5 eligible State employee for a delay in the effective date of
6 retirement, whether the employee provides reasons for the delay or
7 not, will not be considered by the State Treasurer unless the State
8 department submits a request for a delay to the State Treasurer with
9 the explanation described above.

10 When the needs of the Judicial Branch of State Government
11 require the services of an employee who elects to retire and receive
12 a benefit, the Judiciary may delay the effective date of retirement of
13 the employee until the first day of any calendar month after August
14 1, 2008, but not later than July 1, 2009, pursuant to protocols to be
15 issued by the Chief Justice of the Supreme Court.

16 An eligible State employee or an eligible Judiciary employee
17 who applies to retire and receive the benefits will be deemed to
18 consent, by that application, to a delay in the employee's effective
19 date of retirement with regard to an eligible state employee, if the
20 State department requests and receives approval for such a delay or,
21 with regard to an eligible Judiciary employee, if the Chief Justice
22 determines that such a delay is appropriate. Such an employee's
23 receipt of the benefits provided by this bill will be conditioned upon
24 faithful performance of service by the employee during the period
25 of delay.

26 A request by an eligible State employee or an eligible Judiciary
27 employee for a delay in the effective date of retirement, whether the
28 employee provides reasons for the delay or not, will not be
29 sufficient reason to approve a delay.

30 The Division of Pensions and Benefits in the Department of
31 Treasury will report in writing to the Joint Budget Oversight
32 Committee beginning on August 15, 2008, and annually thereafter
33 on or before August 15, through 2014, on the results of the
34 additional retirement benefits provided.

35 In addition, this bill establishes a Workforce Reduction Planning
36 Board composed of five members: the State Treasurer; the Director
37 of the Division of Budget and Accounting in the Department of the
38 Treasury; either the chair of the Merit System Board or its
39 successor overseeing civil service matters for the State, or a person
40 designated by the Governor; and two persons designated by the
41 Governor. Not later than July 30, 2008, the State Treasurer will
42 certify to the board the number of full-time employees, excluding
43 seasonal employees and employees of independent authorities,
44 employed by each department of the Executive Branch of State
45 government as of the final pay period in Fiscal Year 2008. Within
46 60 days of that certification by the State Treasurer, the board will
47 establish for each department the maximum number of employees
48 that will be permitted to be on each department's payroll as of the

1 final pay period of Fiscal Year 2009. The aggregate number of
2 employees that will be permitted to be on the payroll for all
3 departments as of the final pay period of Fiscal Year 2009 will not
4 exceed the number of employees certified by the State Treasurer to
5 be on the payroll as of the final pay period of Fiscal Year 2008, less
6 90 percent of the number of employees who elect to retire and
7 receive a benefit under the bill. For Fiscal Year 2010 and every
8 year thereafter, the number of employees, in total for all
9 departments in the Executive Branch of State government, will not
10 exceed the number of employees certified by the State Treasurer to
11 be on the payroll as of the final pay period of Fiscal Year 2008, less
12 90 percent of the number of employees who elect to retire and
13 receive a benefit under the bill. The cap established pursuant to this
14 section cannot be exceeded unless specifically authorized by law.

15 Within 60 days of the receipt of its maximum employee count
16 from the board, each department will prepare and submit to the
17 board a plan demonstrating how the department intends to achieve
18 its maximum employee count. The board will review and approve,
19 or modify and approve, each departmental workforce reduction plan
20 within 30 days of its submittal.

21 The board will submit detailed quarterly reports of its activities
22 to the Joint Budget Oversight Committee and the Governor.

23 The board will monitor implementation of each departmental
24 workforce reduction plan and departmental compliance with the cap
25 established. Each department will fully cooperate with the board in
26 monitoring implementation of the plan, and will provide the board
27 with such information as may be requested by the board.

28 The Chief Justice of the Supreme Court will establish policies
29 and procedures to ensure that the aggregate number of full-time
30 employees of the Judicial Branch of State government eligible to
31 participate in the New Jersey State Health Benefits Program of the
32 State of New Jersey, other than Justices of the Supreme Court,
33 Judges of the Superior Court, Judges of a Municipal Court, and
34 employees of a Municipal Court, who are on the payroll as of the
35 final pay period of Fiscal Year 2009 will not exceed the number of
36 such employees on the payroll as of April 1, 2008, less 90 percent
37 of the number of employees who elect to retire and receive a benefit
38 under the bill. For Fiscal Year 2010 and every year thereafter, the
39 number of such employees will not exceed the number of such
40 employees on the payroll as of the final pay period of April 1, 2008,
41 less 90 percent of the number of employees who elect to retire and
42 receive a benefit under the bill. The cap established will not be
43 exceeded unless specifically authorized by law.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2044

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 19, 2008

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2044, with committee amendments.

As amended, the bill provides additional retirement benefits to eligible State employees in the Executive Branch of State government and eligible Judiciary employees in the Judicial Branch of State government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

An eligible State employee or an eligible Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit. An employee who is at least 58 years of age and has at least 25 years of service credit and retires on a veteran's retirement under the PERS or the TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

For an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20, but less than 25, years of service credit under the PERS or the TPAF, the retirement system will pay the premium or periodic charges for health care benefits provided to the retired State employee and the employee's dependents, but not including survivors, under the State Health Benefits Program, in the same manner provided for State payment of premiums or periodic charges for a retired State employee with 25 or more years of service credit under current law and in the same manner provided for State payment of premiums or periodic charges for a qualified retiree from the TPAF under current law.

An eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 10, but less than 20, years of service credit under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement.

To receive these benefits, an eligible State employee or an eligible Judiciary employee must submit an application for retirement on or after March 1, 2008 but by July 15, 2008 and retire no later than

August 1, 2008. An application submitted by an eligible State employee or an eligible Judiciary employee for retirement within the time period set to receive the benefits provided will be irrevocable seven days after submission.

An "eligible State employee" means a full-time employee of the Executive Branch of State government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey, but not including an employee of the Department of Human Services, Department of Military and Veterans' Affairs, Department of Corrections, Juvenile Justice Commission in but not of the Department of Law and Public Safety, Office of the Public Defender in but not of the Department of the Treasury, and Department of Children and Families.

The term does not include an employee of Rutgers, The State University; the New Jersey Institute of Technology; the University of Medicine and Dentistry of New Jersey; or a State college or university.

The term does not include an employee of a public authority, board, commission, corporation, or other agency or instrumentality of the State allocated in, but not of, a principal department of State government pursuant to Article V, Section IV, paragraph 1 of the New Jersey Constitution, authorized to participate in the Public Employees' Retirement System under section 73 of P.L.1954, c.84 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), or an employee of a public agency or organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-71), or a person participating in the Public Employees' Retirement System under the provisions of P.L.1972, c.167 (C.43:15A-135 et seq.), P.L.2001, c. 259 (C.43:15A-142 et seq.), P.L.2001, c.366 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

"Eligible Judiciary employee" means a full-time employee of the Judicial branch of State Government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey. The term does not include a Justice of the Supreme Court, or a Judge of the Superior Court, or a Judge of a Municipal Court or an employee of a Municipal Court.

An eligible State employee who retires and receives a benefit will not be eligible for appointment to, or employment in, any position or capacity in the Executive Branch of State government for a period of three years following the effective date of retirement. An eligible State employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Executive Branch of State government, or from performing professional services for the State as part of a contract awarded to a third party by the Executive Branch of State government, for a period of three years following the effective date of retirement.

An eligible Judiciary employee who retires and receives a benefit pursuant to this section will not be eligible for appointment to, or

employment in, any position or capacity in the Judicial Branch of State Government for a period of three years following the effective date of retirement. An eligible Judiciary employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Judicial Branch of State Government, or from performing professional services for the State as part of a contract awarded to a third party by the Judicial Branch of State Government, for a period of three years following the effective date of retirement.

When the needs of the Executive Branch of State government require the services of an employee who elects to retire and receive a benefit, a State department may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009. For each such delayed retirement, the State department must request the approval of the State Treasurer by submitting in writing an explanation of the needs of the department, the services required of the employee, and the reasons why that particular employee's services are so essential as to necessitate a delay. The delay will be effective only upon approval of the request by the State Treasurer. A request by an eligible State employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be considered by the State Treasurer unless the State department submits a request for a delay to the State Treasurer with the explanation described above.

When the needs of the Judicial Branch of State Government require the services of an employee who elects to retire and receive a benefit, the Judiciary may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009, pursuant to protocols to be issued by the Chief Justice of the Supreme Court.

An eligible State employee or an eligible Judiciary employee who applies to retire and receive the benefits will be deemed to consent, by that application, to a delay in the employee's effective date of retirement with regard to an eligible state employee, if the State department requests and receives approval for such a delay or, with regard to an eligible Judiciary employee, if the Chief Justice determines that such a delay is appropriate. Such an employee's receipt of the benefits provided by this bill will be conditioned upon faithful performance of service by the employee during the period of delay.

A request by an eligible State employee or an eligible Judiciary employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be sufficient reason to approve a delay.

The Division of Pensions and Benefits in the Department of Treasury will report in writing to the Joint Budget Oversight Committee beginning on August 15, 2008, and annually thereafter on

or before August 15, through 2014, on the results of the additional retirement benefits provided.

The bill limits the hiring of replacements for individuals taking advantage of the retirement incentives. It provides that the number of employees hired in the Executive Branch to fill the vacancies created directly or indirectly because eligible employees retired to receive additional retirement benefits pursuant to the bill shall not exceed, in total for all departments in the Executive Branch of State government, 10 percent of the total number of employees who retired pursuant this bill. A similar separate limitation applies to replacement in the Judiciary,

In addition, the State Treasurer shall report to the Joint Budget Oversight Committee every six months for the first two years and annually thereafter, on the impact of that act on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of that act and the plans adopted by each department to maintain the essential governmental services provided by that department.

COMMITTEE AMENDMENTS:

The amendments:

1) provide that the purchase of service credit in PERS or TPAF that is completed after the bill's effective date will not be considered in determining eligibility for the benefit provided by the bill, except that those employees who have previously authorized payroll deductions for a purchase of service credit or those employees who have received a quotation for a purchase of service credit from the Division of Pensions and Benefits within 90 days prior to the effective date of this bill may effectuate the purchase to qualify for eligibility under this act so long as that entire purchase is paid in full by July 15, 2008 or the date of the expiration of the purchase quotation, whichever date is earliest;

2) exempt from the provisions of the bill that prohibit re-employment for three years an eligible State employee who retires under the bill, if such an employee is hired for emergency management purposes;

3) remove from the bill the provisions that establish a Workforce Reduction Planning Board to certify the number of full-time employees;

4) remove the caps on the number of employees in the Executive and Judicial Branches of State government that can be employed after the effective date of the bill;

5) provide that the number of new hires in the Executive Branch and in the Judicial Branch to fill the vacancies created directly or indirectly because eligible employees retired to receive additional retirement benefits pursuant to the bill will not exceed, in total for all departments in the Executive Branch and in total for the Judicial

Branch, 10 percent of the total number of employees who retired pursuant the bill, including the employees for whom the effective date of retirement was delayed pursuant to subsection f. the bill; and

6) require the State Treasurer to report to the Joint Budget Oversight Committee every six months for the first two years following the date of enactment of the bill, and annually thereafter, on the impact of that act on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill and the plans adopted by each department to maintain the essential governmental services provided by that department.

FISCAL IMPACT:

The Executive Branch estimates there will be a savings to the State under this bill of \$77.0 million in FY 2009 and \$93.5 million in FY 2010 and FY 2011. The bill would also increase pension system liabilities by \$254.9 million and there would be first year implementation costs totaling \$500,000. The Office of Legislative Services concurs in part with this estimate, noting that the savings depend on many variables including keeping static current estimated Executive and Judicial Branch employment levels.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2044 STATE OF NEW JERSEY 213th LEGISLATURE

DATED: JUNE 30, 2008

SUMMARY

- Synopsis:** Provides additional retirement benefits to certain employees of State government; limits number of employees hired thereafter to fill vacancies created.
- Type of Impact:** Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) increase; State expenditure decrease.
- Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury.

Office of Legislative Services Estimate

Additional PERS and TPAF System Liability due to ERI	\$254,880,785
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Fiscal Impact	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY2011</u>
State Savings	\$77,095,175	Indeterminate - See comments below	

- This bill implements an early retirement incentive (ERI) program for certain State Executive and Judiciary employees composed of three retirement options: (1) eligible employees who are 58 years of age with 25 years of service credit will receive an additional three years of service credit; (2) eligible employees who are 60 years of age with at least 20 years but less than 25 years of service credit will receive State paid post retirement medical benefits under the State Health Benefits Program (SHBP); (3) eligible employees who are 60 years of age with at least ten but less than 20 years of service credit will receive an additional pension amount of \$500 per month for two years.
- The bill limits the number of employees who may be hired by the Executive and Judicial Branches to fill the vacancies created by the early retirements to 10 percent of the total number of employees who retired. Hiring new employees not directly related to filling a vacancy created by the ERI program is not subject to the 10 percent limitation.
- The bill prohibits eligible State Executive and Judiciary employees who retire under this measure from being employed or awarded a contract for professional services by the State or

Judiciary for period of three years after retiring unless they are employed on an hourly basis for emergency management purposes.

- The bill includes a delay in retirement provision for up to 11 months for eligible employees who applied for the ERI, under certain circumstances, at the discretion of the employer.
- The bill requires the State Treasurer to report to the Joint Budget Oversight Committee every six months for the first two years following the enactment of this bill, and annually thereafter on: (1) the impact of the ERI on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill; and (2) the plans adopted by each department to maintain the essential governmental service provided by that department.
- This bill results in first year implementation costs totaling \$500,000.

BILL DESCRIPTION

Senate Bill No. 2044 (1R) of 2008 provides additional retirement benefits to eligible State employees in the Executive Branch and eligible Judiciary employees in the Judicial Branch of State government, as specified, who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire no later than August 1, 2008. The bill establishes three early retirement incentive (ERI) options for eligible employees: (1) an eligible State Executive or Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employee Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit, and veterans who retire under the PERS or TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement is based; (2) an eligible State Executive employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20 years, but less than 25 years, of service credit under the PERS or TPAF will receive State paid post retirement medical benefits under the State Health Benefits Program, (SHBP); (3) an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least ten, but less than 20 years, of service under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement. The purchase of additional service credit will not be considered for meeting the eligibility requirements unless the eligible employee applying for the early retirement incentive program applied for the credit within 90 days prior to the effective date of this act and paid for the purchase, in full, by July 15, 2008.

In addition, the bill prohibits eligible State Executive and Judiciary employees who retire under this measure from being employed or awarded a contract for professional services by the State Executive or Judiciary for period of three years after retiring unless they are employed on an hourly basis for emergency management purposes. By virtue of applying for an early retirement incentive under this measure, the bill deems the filed application to retire as a consent agreement, on the part of the eligible employee, to allow the State department or the Judiciary for which the applicant works to delay retirement for up to 11 months. During that time, however, the employee will be able to accrue additional service credit. In order for the employer to delay an ERI applicant's retirement, the employer must request approval from the Treasurer, in writing, explaining why the employee is essential to the needs of the Executive Branch. The bill requires the State Treasurer to report to the Joint Budget Oversight Committee every six months

for the first two years following the enactment of this bill, and annually thereafter on: (1) the impact of the ERI on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill; and (2) the plans adopted by each department to maintain the essential governmental service provided by that department.

FISCAL ANALYSIS

EXECUTIVE BRANCH

A fiscal estimate was prepared by the Division of Pensions and Benefits for the introduced version of this bill. The Division of Pensions and Benefits estimated that first year savings in FY 2009 would be \$77.1 million, savings in FY 2010 would be \$93.5 million. The additional liability for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund was estimated to be \$254.9 million. No updated information provided on the bill as amended.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services estimates first year savings and the additional pension liabilities resulting from the ERI to be \$77.1 million and \$254.9 million, respectively, based on previous information provided by the Division of Pensions and Benefits. The savings in the division's estimate of the bill as introduced, were dependent on maintaining static current estimated employment levels. Under the first reprint, the fixed cap on the number of State workers that may be employed by each department, as specified, was eliminated which increases the uncertainty in employment levels in the succeeding years. First year payroll savings are calculable and reduced because of one-time costs such as sick leave and other benefit reductions. The OLS notes that it is not clear if the estimate of the first year savings takes into account employees that would have retired without the early retirement incentive. This is because employees who would have retired without the retirement incentive would have lower retirement benefits than those who retired under the ERI. Not deducting for the difference between normal retirement and the early retirement overstates the actual ERI savings. Savings beyond the first year are dynamic and sensitive to a variety of changes including: (1) vacancies that are created indirectly, meaning a vacancy in a position created directly or indirectly by promotion or transfer to fill a vacancy in position caused by the retiring employee; (2) unforeseen events which may cause or even require changes in the size of the workforce; (3) the changing nature of the economy; (4) the demand for government services; and (5) federal mandates. Thus, the savings in FY 2010 and succeeding fiscal years are not able to be determined. Finally, the OLS notes that with regard to the additional pension system liabilities, information was not provided regarding an amortization schedule that would identify the increase in the State's annual contribution to the pension system.

Section: State Government

Analyst: Kimberly Anne 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 (C. 52:13B-1 et seq.).

ASSEMBLY, No. 2802

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED JUNE 12, 2008

Sponsored by:

Assemblyman JOHN J. BURZICHELLI

District 3 (Salem, Cumberland and Gloucester)

SYNOPSIS

Provides additional retirement benefits to certain employees of State government; creates Workforce Reduction Planning Board to oversee workforce reduction requirements in Executive Branch; imposes limit on number of employees in Executive and Judicial Branch.

CURRENT VERSION OF TEXT

As introduced.



A2802 BURZICHELLI

2

1 AN ACT providing additional retirement benefits to certain
2 employees of State government and creating a Workforce
3 Reduction Planning Board and supplementing Title 52 of the
4 Revised Statutes.

5
6 WHEREAS, The public interest requires the control of long term costs
7 and pension liabilities associated with the retirement of employees
8 of State government pursuant to an early retirement program; and

9 WHEREAS, The public interest requires the maximization of short and
10 long term budget savings associated with the reduction in the
11 overall workforce for the State that will occur as a result of an offer
12 of an early retirement incentive program; and

13 WHEREAS, The public interest requires assurance that a workforce
14 reduction obtained as a result of an early retirement incentive
15 program is maintained by a cap on the total number of employees to
16 be administered through workforce reduction planning; and

17 WHEREAS, To maximize savings and limit pension liabilities resulting
18 from an early retirement incentive program, it is essential to limit
19 the retirement systems through which an early retirement incentive
20 program will be offered to the Public Employees' Retirement
21 System and the Teachers' Pension and Annuity Fund, to require
22 that any employee who participates in such a program be already
23 eligible to retire from State service and to further limit participation
24 in the program to only a designated subset of employees who
25 already are eligible to retire from State service; and

26 WHEREAS, Because the public interest requires that savings associated
27 with vacancies achieved through an early retirement program not be
28 lost by rehiring retired former employees, directly or indirectly, it is
29 appropriate to establish restrictions prohibiting eligible employees
30 who retire and receive a benefit pursuant to this act from eligibility
31 for employment in, or from being awarded a contract to perform, or
32 from performing professional services for the State as part of a
33 contract awarded to a third party, by the branch of State
34 government from which they retired, for a period of three years
35 following the effective date of retirement; and

36 WHEREAS, To further ensure budget savings and limit liabilities, an
37 early retirement incentive program must not be made available to
38 employees of independent State authorities, or to employees
39 enrolled in certain special sections of the Public Employees'
40 Retirement System, or to certain employees in State departments or
41 agencies when there is a determination that the mission of those
42 departments or agencies are principally related to the provision of
43 direct care or when the nature of their operations otherwise does not
44 permit the imposition of a strict limit on the filling of vacancies;
45 now, therefore,

46
47 **BE IT ENACTED** by the Senate and General Assembly of the State
48 of New Jersey:

A2802 BURZICHELLI

1 1. a. An eligible State employee or an eligible Judiciary
2 employee who is at least 58 years of age and has at least 25 years of
3 service credit under the Public Employees' Retirement System,
4 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), or the
5 Teachers' Pension and Annuity Fund, established pursuant
6 N.J.S.18A:66-1 et seq., other than a veteran who retires on a
7 veteran's retirement, shall receive an additional three years of
8 service credit under the Public Employees' Retirement System or
9 the Teachers' Pension and Annuity Fund.

10 An employee who is at least 58 years of age and has at least 25
11 years of service credit and retires on a veteran's retirement under the
12 Public Employees' Retirement System or the Teachers' Pension and
13 Annuity Fund shall receive an additional pension under the
14 retirement system in the amount of 3/55 of the compensation upon
15 which the retirement allowance is based.

16 The additional retirement benefit provided pursuant to this
17 subsection shall be applicable only to the full-time State
18 employment from which an eligible employee retires to receive the
19 benefit and the compensation for that employment.

20 b. For an eligible State employee who is at least 60 years of
21 age and has at least 20, but less than 25, years of service credit
22 under the Public Employees' Retirement System or the Teachers'
23 Pension and Annuity Fund, the retirement system shall pay the
24 premium or periodic charges for benefits provided to the retired
25 State employee and the employee's dependents, but not including
26 survivors, under the "New Jersey State Health Benefits Program
27 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), in the same manner
28 provided for State payment of premiums or periodic charges for a
29 retired State employee with 25 or more years of service credit under
30 section 6 of P.L.1996, c.8 (C.52:14-17.28b) for Public Employees'
31 Retirement System members, and in the same manner provided for
32 State payment of premiums or periodic charges for a qualified
33 retiree from the Teachers' Pension and Annuity Fund under section
34 3 of P.L.1987, c.384 (C.52:14-17.32f) for Teachers' Pension and
35 Annuity Fund members.

36 c. An eligible State employee who is at least 60 years of age
37 and has at least 10, but less than 20, years of service credit under
38 the Public Employees' Retirement System or the Teachers' Pension
39 and Annuity Fund shall receive an additional pension under the
40 Public Employees' Retirement System or the Teachers' Pension and
41 Annuity Fund of \$500 a month in each of the 24 months following
42 the effective date of retirement.

43 d. To receive the benefits provided by this section, an eligible
44 State employee or an eligible Judiciary employee shall submit an
45 application for retirement on or after March 1, 2008 but not later
46 than July 15, 2008 and retire not later than August 1, 2008.

47 Service credit in the Public Employees' Retirement System or
48 the Teachers' Pension and Annuity Fund established through a

A2802 BURZICHELLI

1 purchase completed after the effective date of this act, P.L. , c.
2 (pending before the legislature as this bill), shall not be considered
3 in determining an employee's eligibility for the benefit provided
4 pursuant to subsections a., b., and c. of this section.

5 An application submitted by an eligible State employee or an
6 eligible Judiciary employee for retirement within the time period set
7 forth herein to receive the benefits provided shall be irrevocable
8 seven days after submission.

9 e. For the purpose of this section:

10 "Eligible State employee" means a full-time employee of the
11 Executive Branch of State government eligible to participate in the
12 New Jersey State Health Benefits Program of the State of New
13 Jersey, but not including an employee of the Department of Human
14 Services, Department of Military and Veterans' Affairs, Department
15 of Corrections, Juvenile Justice Commission in but not of the
16 Department of Law and Public Safety, Office of the Public
17 Defender in but not of the Department of the Treasury, and
18 Department of Children and Families.

19 The term shall not include an employee of Rutgers, The State
20 University; the New Jersey Institute of Technology; the University
21 of Medicine and Dentistry of New Jersey; or a State college or
22 university.

23 The term shall not include an employee of a public authority,
24 board, commission, corporation, or other agency or instrumentality
25 of the State allocated in, but not of, a principal department of State
26 government pursuant to Article V, Section IV, paragraph 1 of the
27 New Jersey Constitution authorized to participate in the Public
28 Employees' Retirement System under section 73 of P.L.1954, c.84
29 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), which
30 entity was authorized under P.L.2002, c.23 to provide additional
31 retirement benefits to certain employees, as such entities are
32 identified by the Division of Pensions and Benefits in consideration
33 that the division submits a separate request for payment and
34 receives a separate payment for benefits purposes from the entity.
35 This paragraph shall not be deemed to exclude the New Jersey
36 Commerce and Economic Growth Commission or its successor.

37 The term shall not include an employee of a public agency or
38 organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-
39 71), or a person participating in the Public Employees' Retirement
40 System under the provisions of P.L.1972, c.167 (C.43:15A-135 et
41 seq.), P.L.2001, c.259 (C.43:15A-142 et seq.), P.L.2001, c.366
42 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

43 "Eligible Judiciary employee" means a full-time employee of
44 the Judicial Branch of State Government eligible to participate in
45 the New Jersey State Health Benefits Program of the State of New
46 Jersey. The term shall not include a Justice of the Supreme Court,
47 or a Judge of the Superior Court, or a Judge of a Municipal Court,
48 or an employee of a Municipal Court.

1 f. When the needs of the Executive Branch of State
2 government require the services of an employee who elects to retire
3 and receive a benefit pursuant to this section, a State department
4 may delay the effective date of retirement of the employee until the
5 first day of any calendar month after August 1, 2008, but not later
6 than July 1, 2009. For each such delayed retirement, the State
7 department shall request the approval of the State Treasurer by
8 submitting in writing an explanation of the needs of the department,
9 the services required of the employee, and the reasons why that
10 particular employee's services are so essential as to necessitate a
11 delay. The delay shall be effective only upon approval of the
12 request by the State Treasurer. A request by an eligible State
13 employee for a delay in the effective date of retirement, whether the
14 employee provides reasons for the delay or not, shall not be
15 considered by the State Treasurer unless the State department
16 submits a request for a delay to the State Treasurer with the
17 explanation described above.

18 When the needs of the Judicial Branch of State government
19 require the services of an employee who elects to retire and receive
20 a benefit pursuant to this section, the Judiciary may delay the
21 effective date of retirement of the employee until the first day of
22 any calendar month after August 1, 2008, but not later than July 1,
23 2009, pursuant to protocols to be issued by the Chief Justice of the
24 Supreme Court.

25 An eligible State employee who applies to retire and receive the
26 benefits provided by this section shall be deemed to consent, by that
27 application, to a delay in the employee's effective date of retirement
28 if the State department requests and receives approval for such a
29 delay. An eligible Judiciary Employee who applies to retire and
30 receive the benefits provided by this section shall be deemed to
31 consent, by that application, to a delay in the employee's effective
32 date of retirement if the Chief Justice determines that such a delay
33 is appropriate. Such an employee's receipt of the benefits provided
34 by this section shall be conditioned upon faithful performance of
35 services by the employee during the period of delay.

36 A delay in the effective date of retirement of an eligible State
37 employee or an eligible Judiciary employee shall not extend the
38 time period set forth in this section within which an employee shall
39 qualify for a benefit pursuant to this section. The retirement of an
40 employee for whom the effective date of retirement has been
41 delayed shall be irrevocable.

42 For an eligible State employee or an eligible Judiciary employee
43 who is a member of the Public Employees' Retirement System or
44 the Teachers' Pension and Annuity Fund whose effective date of
45 retirement is delayed and who dies before the retirement becomes
46 effective, the retirement shall be effective as of the first day of the
47 month after the date of death of the member.

1 g. The actuaries for the Public Employees' Retirement System
2 and the Teachers' Pension and Annuity Fund shall determine the
3 liabilities of the retirement systems for the additional service credit
4 or pension provided pursuant to this section and for the early
5 retirement of employees in accordance with the tables of actuarial
6 assumptions adopted by the boards of trustees of the retirement
7 systems. These liabilities shall be added to the accrued liabilities of
8 the State under the retirement systems and shall be funded as
9 provided under section 24 of P.L.1954, c.84 (C.43:15A-24), section
10 2 of P.L.1990, c.6 (C.43:15A-24.1), N.J.S.18A:66-18, and section 2
11 of P.L.1987, c.385 (C.18A:66-18.1), respectively.

12 h. An eligible State employee or an eligible Judiciary employee
13 who retires and receives a benefit pursuant to this section shall
14 forfeit all tenure rights.

15 i. An eligible State employee who retires and receives a
16 benefit pursuant to this section shall not be eligible for appointment
17 to, or employment in, any position or capacity in the Executive
18 Branch of State government for a period of three years following
19 the effective date of retirement. An eligible State employee who
20 retires and receives a benefit pursuant to this section shall be barred
21 from being awarded any contract for professional services by the
22 Executive Branch of State Government, or from performing
23 professional services for the State as part of a contract awarded to a
24 third party by the Executive Branch of State government, for a
25 period of three years following the effective date of retirement.

26 An eligible Judiciary employee who retires and receives a
27 benefit pursuant to this section shall not be eligible for appointment
28 to, or employment in, any position or capacity in the Judicial
29 Branch of State Government for a period of three years following
30 the effective date of retirement. An eligible Judiciary employee
31 who retires and receives a benefit pursuant to this section shall be
32 barred from being awarded any contract for professional services by
33 the Judicial Branch of State Government, or from performing
34 professional services for the State as part of a contract awarded to a
35 third party by the Judicial Branch of State Government, for a period
36 of three years following the effective date of retirement.

37 j. The Director of the Division of Pensions and Benefits in the
38 Department of the Treasury may promulgate rules and regulations
39 that the director deems necessary for the effective implementation
40 of this section. Notwithstanding any provision of the
41 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
42 seq.) to the contrary, the division may adopt immediately upon
43 filing with the Office of Administrative Law such regulations as the
44 division deems necessary to implement the provisions of this act,
45 which shall be effective for a period not to exceed 270 days
46 following enactment of P.L. , c. (pending before the Legislature
47 as this bill), and may thereafter be amended, adopted, or readopted
48 by the division in accordance with the requirements of the

A2802 BURZICHELLI

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
2 seq.).

3 k. The Division of Pensions and Benefits in the Department of
4 the Treasury shall report in writing to the Joint Budget Oversight
5 Committee beginning on August 15, 2008, and annually thereafter
6 on or before August 15, through 2014, on the results of the
7 additional retirement benefits provided pursuant to this section. In
8 cooperation with the Workforce Reduction Planning Board
9 established pursuant to section 2 of P.L. , c. (C.)(pending
10 before the Legislature as this bill) and based on information
11 provided by the board, the report shall provide an analysis of the
12 impact of this section in order to document the aggregate costs
13 incurred and aggregate savings realized by the State as a result of
14 this section. The report shall include, but need not be limited to, the
15 number of applications to retire filed pursuant to this section; the
16 number of applications to retire approved; the number of delayed
17 retirements; total annual savings; total additional one-time costs;
18 and the corresponding retirement systems unfunded liability.

19

20 2. (New section) a. There is established in the Department of
21 the Treasury a Workforce Reduction Planning Board composed of
22 five members. The board shall be composed of the State Treasurer;
23 the Director of the Division of Budget and Accounting in the
24 Department of the Treasury; either the chair of the Merit System
25 Board or its successor overseeing civil service matters for the State,
26 or a person designated by the Governor; and two persons designated
27 by the Governor. Not later than July 30, 2008, the State Treasurer
28 shall certify to the board the number of full-time employees,
29 excluding seasonal employees and employees of independent
30 authorities, employed by each department of the Executive Branch
31 of State government as of the final pay period in Fiscal Year 2008.
32 Within 60 days of that certification by the State Treasurer, the board
33 shall establish for each department the maximum number of
34 employees that will be permitted to be on each department's payroll
35 as of the final pay period of Fiscal Year 2009. The aggregate
36 number of employees that will be permitted to be on the payroll for
37 all departments as of the final pay period of Fiscal Year 2009 shall
38 not exceed the number of employees certified by the State Treasurer
39 to be on the payroll as of the final pay period of Fiscal Year 2008,
40 less 90 percent of the number of employees who elect to retire and
41 receive a benefit pursuant to section 1 of P.L. , c. (pending
42 before the Legislature as this bill). For Fiscal Year 2010 and every
43 year thereafter, the number of employees in total for all departments
44 in the Executive Branch of State government shall not exceed the
45 number of employees certified by the State Treasurer to be on the
46 payroll as of the final pay period of Fiscal Year 2008, less 90
47 percent of the number of employees who elect to retire and receive
48 a benefit pursuant to section 1 of P.L. , c. (pending before the

1 Legislature as this bill). The cap established pursuant to this
2 section shall not be exceeded unless specifically authorized by law.

3 b. Within 60 days of the receipt of its maximum employee
4 count from the board, each department shall prepare and submit to
5 the board a plan demonstrating how the department intends to
6 achieve its maximum employee count. The board shall review and
7 approve, or modify and approve, each departmental workforce
8 reduction plan within 30 days of its submittal.

9 c. The board shall submit detailed quarterly reports of its
10 activities to the Joint Budget Oversight Committee and the
11 Governor. The board shall cooperate with the Division of Pensions
12 and Benefits in the Department of the Treasury by providing
13 such information as may be needed for the division to submit the
14 annual reports required by subsection k. of section 1 of P.L. ,
15 c. (pending before the Legislature as this bill).

16 d. The board shall monitor implementation of each
17 departmental workforce reduction plan and departmental
18 compliance with the cap established pursuant to this section. Each
19 department shall fully cooperate with the board in monitoring
20 implementation of the plan, and shall provide the board with such
21 information as may be requested by the board.

22

23 3. (New section) The Chief Justice of the Supreme Court shall
24 establish policies and procedures to ensure that the aggregate
25 number of full-time employees of the Judicial Branch of State
26 government eligible to participate in the New Jersey State Health
27 Benefits Program of the State of New Jersey, other than Justices of
28 the Supreme Court, Judges of the Superior Court, Judges of a
29 Municipal Court, and employees of a Municipal court, who are on
30 the payroll as of the final pay period of Fiscal Year 2009 shall not
31 exceed the number of such employees on the payroll as of April 1,
32 2008, less 90 percent of the number of employees who elect to
33 retire and receive a benefit pursuant to section 1 of P.L. ,
34 c. (pending before the Legislature as this bill). For Fiscal Year
35 2010 and every year thereafter, the number of such employees shall
36 not exceed the number of such employees on the payroll as of the
37 final pay period of April 1, 2008, less 90 percent of the number of
38 employees who elect to retire and receive a benefit pursuant to
39 section 1 of P.L. , c. (pending before the Legislature as this bill).
40 The cap established pursuant to this section shall not be exceeded
41 unless specifically authorized by law.

42

43 4. This act shall take effect immediately.

STATEMENT

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This bill provides additional retirement benefits to eligible State employees in the Executive Branch of State government and eligible Judiciary employees in the Judicial Branch of State government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

An eligible State employee or an eligible Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit. An employee who is at least 58 years of age and has at least 25 years of service credit and retires on a veteran's retirement under the PERS or the TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

For an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20, but less than 25, years of service credit under the PERS or the TPAF, the retirement system will pay the premium or periodic charges for health care benefits provided to the retired State employee and the employee's dependents, but not including survivors, under the State Health Benefits Program, in the same manner provided for State payment of premiums or periodic charges for a retired State employee with 25 or more years of service credit under current law and in the same manner provided for State payment of premiums or periodic charges for a qualified retiree from the TPAF under current law.

An eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 10, but less than 20, years of service credit under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement.

To receive these benefits, an eligible State employee or an eligible Judiciary employee must submit an application for retirement on or after March 1, 2008 but by July 15, 2008 and retire no later than August 1, 2008. An application submitted by an eligible State employee or an eligible Judiciary employee for retirement within the time period set to receive the benefits provided will be irrevocable seven days after submission.

An "eligible State employee" means a full-time employee of the Executive Branch of State government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey, but not including an employee of the Department of Human Services, Department of Military and Veterans' Affairs, Department of Corrections, Juvenile Justice Commission in but not of the Department of Law and Public Safety, Office of the Public

1 Defender in but not of the Department of the Treasury, and
2 Department of Children and Families.

3 The term does not include an employee of Rutgers, The State
4 University; the New Jersey Institute of Technology; the University
5 of Medicine and Dentistry of New Jersey; or a State college or
6 university.

7 The term does not include an employee of a public authority,
8 board, commission, corporation, or other agency or instrumentality
9 of the State allocated in, but not of, a principal department of State
10 government pursuant to Article V, Section IV, paragraph 1 of the
11 New Jersey Constitution, authorized to participate in the Public
12 Employees' Retirement System under section 73 of P.L.1954, c.84
13 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), or an
14 employee of a public agency or organization as defined in section
15 71 of P.L.1954, c.84 (C.43:15A-71), or a person participating in the
16 Public Employees' Retirement System under the provisions of
17 P.L.1972, c.167 (C.43:15A-135 et seq.), P.L.2001, c. 259
18 (C.43:15A-142 et seq.), P.L.2001, c.366 (C.43:15A-155 et seq.) or
19 P.L.1953, c.202 (C.32:23-1 et seq.).

20 "Eligible Judiciary employee" means a full-time employee of the
21 Judicial branch of State Government eligible to participate in the
22 New Jersey State Health Benefits Program of the State of New
23 Jersey. The term does not include a Justice of the Supreme Court,
24 or a Judge of the Superior Court, or a Judge of a Municipal Court or
25 an employee of a Municipal Court.

26 An eligible State employee who retires and receives a benefit
27 will not be eligible for appointment to, or employment in, any
28 position or capacity in the Executive Branch of State government
29 for a period of three years following the effective date of
30 retirement. An eligible State employee who retires and receives a
31 benefit will be barred from being awarded any contract for
32 professional services by the Executive Branch of State government,
33 or from performing professional services for the State as part of a
34 contract awarded to a third party by the Executive Branch of State
35 government, for a period of three years following the effective date
36 of retirement.

37 An eligible Judiciary employee who retires and receives a benefit
38 pursuant to this section will not be eligible for appointment to, or
39 employment in, any position or capacity in the Judicial Branch of
40 State Government for a period of three years following the effective
41 date of retirement. An eligible Judiciary employee who retires and
42 receives a benefit will be barred from being awarded any contract
43 for professional services by the Judicial Branch of State
44 Government, or from performing professional services for the State
45 as part of a contract awarded to a third party by the Judicial Branch
46 of State Government, for a period of three years following the
47 effective date of retirement.

1 When the needs of the Executive Branch of State government
2 require the services of an employee who elects to retire and receive
3 a benefit, a State department may delay the effective date of
4 retirement of the employee until the first day of any calendar month
5 after August 1, 2008, but not later than July 1, 2009. For each such
6 delayed retirement, the State department must request the approval
7 of the State Treasurer by submitting in writing an explanation of the
8 needs of the department, the services required of the employee, and
9 the reasons why that particular employee's services are so essential
10 as to necessitate a delay. The delay will be effective only upon
11 approval of the request by the State Treasurer. A request by an
12 eligible State employee for a delay in the effective date of
13 retirement, whether the employee provides reasons for the delay or
14 not, will not be considered by the State Treasurer unless the State
15 department submits a request for a delay to the State Treasurer with
16 the explanation described above.

17 When the needs of the Judicial Branch of State Government
18 require the services of an employee who elects to retire and receive
19 a benefit, the Judiciary may delay the effective date of retirement of
20 the employee until the first day of any calendar month after August
21 1, 2008, but not later than July 1, 2009, pursuant to protocols to be
22 issued by the Chief Justice of the Supreme Court.

23 An eligible State employee or an eligible Judiciary employee
24 who applies to retire and receive the benefits will be deemed to
25 consent, by that application, to a delay in the employee's effective
26 date of retirement with regard to an eligible state employee, if the
27 State department requests and receives approval for such a delay or,
28 with regard to an eligible Judiciary employee, if the Chief Justice
29 determines that such a delay is appropriate. Such an employee's
30 receipt of the benefits provided by this bill will be conditioned upon
31 faithful performance of service by the employee during the period
32 of delay.

33 A request by an eligible State employee or an eligible Judiciary
34 employee for a delay in the effective date of retirement, whether the
35 employee provides reasons for the delay or not, will not be
36 sufficient reason to approve a delay.

37 The Division of Pensions and Benefits in the Department of
38 Treasury will report in writing to the Joint Budget Oversight
39 Committee beginning on August 15, 2008, and annually thereafter
40 on or before August 15, through 2014, on the results of the
41 additional retirement benefits provided.

42 In addition, this bill establishes a Workforce Reduction Planning
43 Board composed of five members: the State Treasurer; the Director
44 of the Division of Budget and Accounting in the Department of the
45 Treasury; either the chair of the Merit System Board or its
46 successor overseeing civil service matters for the State, or a person
47 designated by the Governor; and two persons designated by the
48 Governor. Not later than July 30, 2008, the State Treasurer will

1 certify to the board the number of full-time employees, excluding
2 seasonal employees and employees of independent authorities,
3 employed by each department of the Executive Branch of State
4 government as of the final pay period in Fiscal Year 2008. Within
5 60 days of that certification by the State Treasurer, the board will
6 establish for each department the maximum number of employees
7 that will be permitted to be on each department's payroll as of the
8 final pay period of Fiscal Year 2009. The aggregate number of
9 employees that will be permitted to be on the payroll for all
10 departments as of the final pay period of Fiscal Year 2009 will not
11 exceed the number of employees certified by the State Treasurer to
12 be on the payroll as of the final pay period of Fiscal Year 2008, less
13 90 percent of the number of employees who elect to retire and
14 receive a benefit under the bill. For Fiscal Year 2010 and every
15 year thereafter, the number of employees, in total for all
16 departments in the Executive Branch of State government, will not
17 exceed the number of employees certified by the State Treasurer to
18 be on the payroll as of the final pay period of Fiscal Year 2008, less
19 90 percent of the number of employees who elect to retire and
20 receive a benefit under the bill. The cap established pursuant to this
21 section cannot be exceeded unless specifically authorized by law.

22 Within 60 days of the receipt of its maximum employee count
23 from the board, each department will prepare and submit to the
24 board a plan demonstrating how the department intends to achieve
25 its maximum employee count. The board will review and approve,
26 or modify and approve, each departmental workforce reduction plan
27 within 30 days of its submittal.

28 The board will submit detailed quarterly reports of its activities
29 to the Joint Budget Oversight Committee and the Governor.

30 The board will monitor implementation of each departmental
31 workforce reduction plan and departmental compliance with the cap
32 established. Each department will fully cooperate with the board in
33 monitoring implementation of the plan, and will provide the board
34 with such information as may be requested by the board.

35 The Chief Justice of the Supreme Court will establish policies
36 and procedures to ensure that the aggregate number of full-time
37 employees of the Judicial Branch of State government eligible to
38 participate in the New Jersey State Health Benefits Program of the
39 State of New Jersey, other than Justices of the Supreme Court,
40 Judges of the Superior Court, Judges of a Municipal Court, and
41 employees of a Municipal Court, who are on the payroll as of the
42 final pay period of Fiscal Year 2009 will not exceed the number of
43 such employees on the payroll as of April 1, 2008, less 90 percent
44 of the number of employees who elect to retire and receive a benefit
45 under the bill. For Fiscal Year 2010 and every year thereafter, the
46 number of such employees will not exceed the number of such
47 employees on the payroll as of the final pay period of April 1, 2008,
48 less 90 percent of the number of employees who elect to retire and

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- 1 receive a benefit under the bill. The cap established will not be
- 2 exceeded unless specifically authorized by law.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2802

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 19, 2008

The Assembly Budget Committee reports favorably Assembly Bill No. 2802, with committee amendments

The bill, as amended, provides additional retirement benefits to eligible State employees in the Executive Branch of State government and eligible Judiciary employees in the Judicial Branch of State government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

An eligible State employee or an eligible Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit. An employee who is at least 58 years of age and has at least 25 years of service credit and retires on a veteran's retirement under the PERS or the TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

For an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20, but less than 25, years of service credit under the PERS or the TPAF, the retirement system will pay the premium or periodic charges for health care benefits provided to the retired State employee and the employee's dependents, but not including survivors, under the State Health Benefits Program, in the same manner provided for State payment of premiums or periodic charges for a retired State employee with 25 or more years of service credit under current law and in the same manner provided for State payment of premiums or periodic charges for a qualified retiree from the TPAF under current law.

An eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 10, but less than 20, years of service credit under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement.

To receive these benefits, an eligible State employee or an eligible Judiciary employee must submit an application for retirement on or after March 1, 2008 but by July 15, 2008 and retire no later than

August 1, 2008. An application submitted by an eligible State employee or an eligible Judiciary employee for retirement within the time period set to receive the benefits provided will be irrevocable seven days after submission.

An "eligible State employee" means a full-time employee of the Executive Branch of State government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey, but not including an employee of the Department of Human Services, Department of Military and Veterans' Affairs, Department of Corrections, Juvenile Justice Commission in but not of the Department of Law and Public Safety, Office of the Public Defender in but not of the Department of the Treasury, and Department of Children and Families.

The term does not include an employee of Rutgers, The State University; the New Jersey Institute of Technology; the University of Medicine and Dentistry of New Jersey; or a State college or university.

The term does not include an employee of a public authority, board, commission, corporation, or other agency or instrumentality of the State allocated in, but not of, a principal department of State government pursuant to Article V, Section IV, paragraph 1 of the New Jersey Constitution, authorized to participate in the Public Employees' Retirement System under section 73 of P.L.1954, c.84 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), or an employee of a public agency or organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-71), or a person participating in the Public Employees' Retirement System under the provisions of P.L.1972, c.167 (C.43:15A-135 et seq.), P.L.2001, c. 259 (C.43:15A-142 et seq.), P.L.2001, c.366 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

"Eligible Judiciary employee" means a full-time employee of the Judicial branch of State Government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey. The term does not include a Justice of the Supreme Court, or a Judge of the Superior Court, or a Judge of a Municipal Court or an employee of a Municipal Court.

An eligible State employee who retires and receives a benefit will not be eligible for appointment to, or employment in, any position or capacity in the Executive Branch of State government for a period of three years following the effective date of retirement. An eligible State employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Executive Branch of State government, or from performing professional services for the State as part of a contract awarded to a third party by the Executive Branch of State government, for a period of three years following the effective date of retirement.

An eligible Judiciary employee who retires and receives a benefit pursuant to this section will not be eligible for appointment to, or

employment in, any position or capacity in the Judicial Branch of State Government for a period of three years following the effective date of retirement. An eligible Judiciary employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Judicial Branch of State Government, or from performing professional services for the State as part of a contract awarded to a third party by the Judicial Branch of State Government, for a period of three years following the effective date of retirement.

When the needs of the Executive Branch of State government require the services of an employee who elects to retire and receive a benefit, a State department may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009. For each such delayed retirement, the State department must request the approval of the State Treasurer by submitting in writing an explanation of the needs of the department, the services required of the employee, and the reasons why that particular employee's services are so essential as to necessitate a delay. The delay will be effective only upon approval of the request by the State Treasurer. A request by an eligible State employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be considered by the State Treasurer unless the State department submits a request for a delay to the State Treasurer with the explanation described above.

When the needs of the Judicial Branch of State Government require the services of an employee who elects to retire and receive a benefit, the Judiciary may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009, pursuant to protocols to be issued by the Chief Justice of the Supreme Court.

An eligible State employee or an eligible Judiciary employee who applies to retire and receive the benefits will be deemed to consent, by that application, to a delay in the employee's effective date of retirement with regard to an eligible state employee, if the State department requests and receives approval for such a delay or, with regard to an eligible Judiciary employee, if the Chief Justice determines that such a delay is appropriate. Such an employee's receipt of the benefits provided by this bill will be conditioned upon faithful performance of service by the employee during the period of delay.

A request by an eligible State employee or an eligible Judiciary employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be sufficient reason to approve a delay.

The Division of Pensions and Benefits in the Department of Treasury will report in writing to the Joint Budget Oversight Committee beginning on August 15, 2008, and annually thereafter on

or before August 15, through 2014, on the results of the additional retirement benefits provided.

The bill limits the hiring of replacements for individuals taking advantage of the retirement incentives. It provides that the number of employees hired in the Executive Branch to fill the vacancies created directly or indirectly because eligible employees retired to receive additional retirement benefits pursuant to the bill shall not exceed, in total for all departments in the Executive Branch of State government, 10 percent of the total number of employees who retired pursuant this bill. A similar separate limitation applies to replacement in the Judiciary,

In addition, the State Treasurer shall report to the Joint Budget Oversight Committee every six months for the first two years and annually thereafter, on the impact this bill on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division and the plans adopted by each department to maintain the essential governmental services provided by that department.

FISCAL IMPACT:

The Executive Branch estimates there will be a savings to the State under this bill of \$77.0 million in FY 2009 and \$93.5 million in FY 2010 and FY 2011. The bill would also increase pension system liabilities by \$254.9 million and there would be first year implementation costs totaling \$500,000. The Office of Legislative Services concurs in part with this estimate, noting that the savings depend on many variables including keeping static current estimated Executive and Judicial Branch employment levels.

COMMITTEE AMENDMENTS:

The amendments:

1) provide that the purchase of service credit in PERS or TPAF that is completed after the bill's effective date will not be considered in determining eligibility for the benefit provided by the bill, except that those employees who have previously authorized payroll deductions for a purchase of service credit or those employees who have received a quotation for a purchase of service credit from the Division of Pensions and Benefits within 90 days prior to the effective date of this bill may effectuate the purchase to qualify for eligibility under this act so long as that entire purchase is paid in full by July 15, 2008 or the date of the expiration of the purchase quotation, whichever date is earliest;

2) exempt from the provisions of the bill that prohibit re-employment for three years an eligible State employee who retires under the bill, if such an employee is hired for emergency management purposes;

3) remove from the bill the provisions that establish a Workforce Reduction Planning Board to certify the number of full-time employees;

4) remove the caps on the number of employees in the Executive and Judicial Branches of State government that can be employed after the effective date of the bill;

5) provide that the number of new hires in the Executive Branch and in the Judicial Branch to fill the vacancies created directly or indirectly because eligible employees retired to receive additional retirement benefits pursuant to the bill will not exceed, in total for all departments in the Executive Branch and in total for the Judicial Branch, 10 percent of the total number of employees who retired pursuant the bill, including the employees for whom the effective date of retirement was delayed pursuant to subsection f. the bill; and

6) require the State Treasurer to report to the Joint Budget Oversight Committee every six months for the first two years following the date of enactment of the bill, and annually thereafter, on the impact of that act on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill and the plans adopted by each department to maintain the essential governmental services provided by that department.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2802

STATE OF NEW JERSEY 213th LEGISLATURE

DATED: JUNE 30, 2008

SUMMARY

- Synopsis:** Provides additional retirement benefits to certain employees of State government; limits number of employees hired thereafter to fill vacancies created.
- Type of Impact:** Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) increase; State expenditure decrease.
- Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury.

Office of Legislative Services Estimate

Additional PERS and TPAF System Liability due to ERI	\$254,880,785
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Fiscal Impact	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Savings	\$77,095,175	Indeterminate - See comments below	

- This bill implements an early retirement incentive (ERI) program for certain State Executive and Judiciary employees composed of three retirement options: (1) eligible employees who are 58 years of age with 25 years of service credit will receive an additional three years of service credit; (2) eligible employees who are 60 years of age with at least 20 years but less than 25 years of service credit will receive State paid post retirement medical benefits under the State Health Benefits Program (SHBP); (3) eligible employees who are 60 years of age with at least ten but less than 20 years of service credit will receive an additional pension amount of \$500 per month for two years.
- The bill limits the number of employees who may be hired by the Executive and Judicial Branches to fill the vacancies created by the early retirements to 10 percent of the total number of employees who retired. Hiring new employees not directly related to filling a vacancy created by the ERI program is not subject to the 10 percent limitation.
- The bill prohibits eligible State Executive and Judiciary employees who retire under this measure from being employed or awarded a contract for professional services by the State or

Judiciary for period of three years after retiring unless they are employed on an hourly basis for emergency management purposes.

- The bill includes a delay in retirement provision for up to 11 months for eligible employees who applied for the ERI, under certain circumstances, at the discretion of the employer.
- The bill requires the State Treasurer to report to the Joint Budget Oversight Committee every six months for the first two years following the enactment of this bill, and annually thereafter on: (1) the impact of the ERI on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill; and (2) the plans adopted by each department to maintain the essential governmental service provided by that department.
- This bill results in first year implementation costs totaling \$500,000.

BILL DESCRIPTION

Assembly Bill No. 2802 (1R) of 2008 provides additional retirement benefits to eligible State employees in the Executive Branch and eligible Judiciary employees in the Judicial Branch of State government, as specified, who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire no later than August 1, 2008. The bill establishes three early retirement incentive (ERI) options for eligible employees: (1) an eligible State Executive or Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employee Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit, and veterans who retire under the PERS or TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement is based; (2) an eligible State Executive employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20 years, but less than 25 years, of service credit under the PERS or TPAF will receive State paid post retirement medical benefits under the State Health Benefits Program, (SHBP); (3) an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least ten, but less than 20 years, of service under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement. The purchase of additional service credit will not be considered for meeting the eligibility requirements unless the eligible employee applying for the early retirement incentive program applied for the credit within 90 days prior to the effective date of this act and paid for the purchase, in full, by July 15, 2008.

In addition, the bill prohibits eligible State Executive and Judiciary employees who retire under this measure from being employed or awarded a contract for professional services by the State Executive or Judiciary for period of three years after retiring unless they are employed on an hourly basis for emergency management purposes. By virtue of applying for an early retirement incentive under this measure, the bill deems the filed application to retire as a consent agreement, on the part of the eligible employee, to allow the State department or the Judiciary for which the applicant works to delay retirement for up to 11 months. During that time, however, the employee will be able to accrue additional service credit. In order for the employer to delay an ERI applicant's retirement, the employer must request approval from the Treasurer, in writing, explaining why the employee is essential to the needs of the Executive Branch. The bill requires the State Treasurer to report to the Joint Budget Oversight Committee every six months for the first two years following the enactment of this bill, and annually thereafter on: (1) the

impact of the ERI on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of the bill; and (2) the plans adopted by each department to maintain the essential governmental service provided by that department.

FISCAL ANALYSIS

EXECUTIVE BRANCH

A fiscal estimate was prepared by the Division of Pensions and Benefits for the introduced version of this bill. The Division of Pensions and Benefits estimated that first year savings in FY 2009 would be \$77.1 million, savings in FY 2010 would be \$93.5 million. The additional liability for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund was estimated to be \$254.9 million. No updated information provided on the bill as amended.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services estimates first year savings and the additional pension liabilities resulting from the ERI to be \$77.1 million and \$254.9 million, respectively, based on previous information provided by the Division of Pensions and Benefits. The savings in the division's estimate of the bill as introduced, were dependent on maintaining static current estimated employment levels. Under the first reprint, the fixed cap on the number of State workers that may be employed by each department, as specified, was eliminated which increases the uncertainty in employment levels in the succeeding years. First year payroll savings are calculable and reduced because of one-time costs such as sick leave and other benefit reductions. The OLS notes that it is not clear if the estimate of the first year savings takes into account employees that would have retired without the early retirement incentive. This is because employees who would have retired without the retirement incentive would have lower retirement benefits than those who retired under the ERI. Not deducting for the difference between normal retirement and the early retirement overstates the actual ERI savings. Savings beyond the first year are dynamic and sensitive to a variety of changes including: (1) vacancies that are created indirectly, meaning a vacancy in a position created directly or indirectly by promotion or transfer to fill a vacancy in position caused by the retiring employee; (2) unforeseen events which may cause or even require changes in the size of the workforce; (3) the changing nature of the economy; (4) the demand for government services; and (5) federal mandates. Thus, the savings in FY 2010 and succeeding fiscal years are not able to be determined. Finally, the OLS notes that with regard to the additional pension system liabilities, information was not provided regarding an amortization schedule that would identify the increase in the State's annual contribution to the pension system.

Section: State Government

Analyst: Kimberly Anne 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 (C. 52:13B-1 et seq.).



- Home
- About the Governor
- Message
- Cabinet

- News Room

- Press Releases

- Press Archives

- Event Photos

- Video Clips

- Audio Clips

- Newsletters

- Speeches

- Reports

- Executive Orders/
Resolutions

- Kids Site

- Governor's
Internship Program

- Boards, Authorities
and Commissions

[Home](#) > [News Room](#) > [Press Releases](#) > [2008](#) > Jun-24-2008 Governor Signs Retirement Incentive Initiative to Shrink Workforce, Yield Savings and Re-Align Government

Jun-24-2008 Governor Signs Retirement Incentive Initiative to Shrink Workforce, Yield Savings and Re-Align Government

NEWS RELEASE

Governor Jon S. Corzine

June 24, 2008

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GOVERNOR SIGNS RETIREMENT INCENTIVE INITIATIVE TO SHRINK WORKFORCE, YIELD SAVINGS AND RE-ALIGN GOVERNMENT

TRENTON – Governor Jon S. Corzine today signed legislation establishing a retirement incentive initiative that, when coupled with attrition, is estimated to reduce the State workforce by an additional 3,000 positions in Fiscal Year 2009.

“This incentive delivers recurring annual savings of \$90 million beginning immediately, will pay for itself in three years and will continue to deliver amplified payroll and benefit savings in the long-term,” Governor Corzine said. “Reducing the workforce means a major change for our State government. As I said in my budget address, departments will have to reprioritize their programs and activities and not only have to do more with less; they will undoubtedly have to do less.”

The new incentive is structured with targeted exclusions and a hard cap on backfills, which means the staffing reductions realized will be both significant and long term. As such, the projected cost from the added pension liability (\$250 million) would be offset by payroll savings of \$264 million achieved within the first three years.

In order to achieve the cost containment and payroll savings, the incentive excludes employees of State departments where the nature of the operations does not permit the imposition of a strict limit on the filling of vacancies. These are typically direct care positions in State institutions that require 24/7 staffing. The “hard cap” would be administered through a five-member Workforce Reduction Planning Board, which would hold the level of positions in

each department within a defined range certified by the Treasurer at the end of FY 2008.

The Treasury Department estimates that approximately 3,855 members are eligible for this incentive, with a total assumed participation of 2,144. Coupled with an attrition goal of approximately 1,000, the State workforce will be smaller by about 3,000 positions by the end of FY 2009 and by 5,000 positions since Governor Corzine took office in January 2006.

The legislation (A-2802/S-2044) was sponsored in the Assembly by Assemblyman John J. Burzichelli (D-Gloucester). It was sponsored in the Senate by Senator Shirley K. Turner (D-Mercer).

Complete details on the incentive plan are available on the Division of Pensions and Benefits home page, <http://www.state.nj.us/treasury/pensions/>.

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Photos from Governor Corzine's public events are available in the Governor's Newsroom section on the State of New Jersey web page.



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