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"Pension reforms are signed into law," The Star Ledger, 9-30-08, p.9

"Corzine OKs plan to reform pensions," The Press, 9-30-08, p.A1

"Holidays, benefits cut for state workers," The Record, 9-30-08, p.A04

"Benefit-cutting bill signed into law by gov," Asbury Park Press, 9-30-08, p.C

§1 - Note to
§§2-27
§13 –
C.18A:66-4.1
§14 –
C.43:15A-7.3
§16 –
C.52:14-17.26a
§17 –
C.52:14-17.27a
§25 –
C.11A:6-24.1
§28 - Note to
§§1-27

P.L. 2008, CHAPTER 89, *approved September 29, 2008*
Senate Committee Substitute (**Corrected Copy**) for
Senate, Nos. 1962, 1964, 1965, 1969 and 2077

1 **AN ACT** concerning retirement and other benefits for certain public
2 employees and amending and supplementing various parts of the
3 statutory law.

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

7
8 1. This act shall be known as “The Public Employee Pension
9 and Benefits Reform Act of 2008.”

10
11 2. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended to
12 read as follows:

13 36. a. Notwithstanding the provisions of any other law to the
14 contrary, an employer other than the State which participates in the
15 State Health Benefits Program, established pursuant to P.L.1961,
16 c.49 (C.52:14-17.25 et seq.), may allow any employee who is
17 eligible for other health care coverage to waive coverage under the
18 State Health Benefits Program to which the employee is entitled by
19 virtue of employment with the employer. The waiver shall be in
20 such form as the Director of the Division of Pensions and Benefits
21 shall prescribe and shall be filed with the division. After such
22 waiver has been filed and for so long as that waiver remains in
23 effect, no premium shall be required to be paid by the employer for
24 the employee or the employee's dependents. Not later than the
25 180th day after the date on which the waiver is filed, the division
26 shall refund to the employer the amount of any premium previously

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

Matter underlined thus is new matter.

1 paid by the employer with respect to any period of coverage which
2 followed the filing date.

3 b. Notwithstanding the provisions of any other law to the
4 contrary, the State as an employer, or an employer that is an
5 independent authority, commission, board, or instrumentality of the
6 State which participates in the State Health Benefits Program, may
7 allow any employee who is eligible for other health care coverage
8 that is not under the State Health Benefits Program to waive the
9 coverage under the State Health Benefits Program to which the
10 employee is entitled by virtue of employment with the employer.
11 The waiver shall be in such form as the Director of the Division of
12 Pensions and Benefits shall prescribe and shall be filed with the
13 division.

14 c. In consideration of filing [such] a waiver as permitted in
15 subsections a. and b. of this section, an employer may pay to the
16 employee annually an amount, to be established in the sole
17 discretion of the employer, which shall not exceed 50% of the
18 amount saved by the employer because of the employee's waiver of
19 coverage. An employee who waives coverage shall be permitted to
20 immediately resume coverage if the employee ceases to be eligible
21 for other health care coverage for any reason, including, but not
22 limited to, the retirement or death of the spouse or divorce. An
23 employee who resumes coverage shall repay, on a pro rata basis,
24 any amount received from the employer which represents an
25 advance payment for a period of time during which coverage is
26 resumed. An employee who wishes to resume coverage shall notify
27 the employer in writing and file a declaration with the division, in
28 such form as the director of the division shall prescribe, that the
29 waiver is revoked. The decision of an employer to allow its
30 employees to waive coverage and the amount of consideration to be
31 paid therefor shall not be subject to the collective bargaining
32 process.

33 (cf: P.L.2007, c.92, s.48)

34

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

36 18A:66-13. Prior service credit. A member may file a detailed
37 statement of: a. school service and service in a similar capacity in
38 other states and in schools within and outside the United States
39 operated by a department of the United States Government for the
40 instruction of the children of United States Government officers and
41 employees, or b. other public employment in other states or with
42 the United States Government which would be eligible for credit in
43 a State-administered retirement system if the employment was with
44 a public employer in this State, or c. military service in the Armed
45 Forces of the United States, rendered prior to becoming a member,
46 for which the member desires credit, and of such other facts as the
47 retirement system may require. The member may purchase credit

1 for all or a portion of the service evidenced in the statement up to
2 the nearest number of years and months, but not exceeding 10
3 years, provided however, that a member purchasing that maximum
4 credit may purchase up to five additional years for additional
5 military service qualifying the member as a veteran as defined in
6 N.J.S.18A:66-2. No application shall be accepted for the purchase
7 of credit for such service if, at the time of application, the member
8 has a vested right to retirement benefits in another retirement
9 system based in whole or in part upon that service.

10 The member may purchase credit for the service by paying into
11 the annuity savings fund the amount required by applying the
12 factor, supplied by the actuary as being applicable to the member's
13 age at the time of the purchase, to the member's salary at that time,
14 or to the highest annual compensation for service in this State for
15 which contributions were made during any prior fiscal year of
16 membership, whichever is greater. The purchase may be made in
17 regular installments, equal to at least one-half the full normal
18 contribution to the retirement system, over a maximum period of 10
19 years. Neither the State nor the employer of a member who applies
20 to purchase credit for public employment with the United States
21 Government pursuant to subsection b. of this section or for military
22 service pursuant to subsection c. of this section shall be liable for
23 any payment to the retirement system on behalf of the member for
24 the purchase of this credit.

25 Notwithstanding any provision of this act to the contrary, a
26 member shall not be liable for any costs associated with the
27 financing of pension adjustment benefits and health care benefits
28 for retirees when purchasing credit for school service, public
29 employment in other states or with the United States Government,
30 or military service in the Armed Forces of the United States.

31 Any member electing to purchase the service who retires prior to
32 completing payments as agreed with the retirement system will
33 receive pro rata credit for service purchased prior to the date of
34 retirement, but if the member so elects at the time of retirement, the
35 member may make the additional lump sum payment required at
36 that time to provide full credit.

37 Notwithstanding any other provision of law to the contrary,
38 service credit established in the retirement system by a member
39 through purchase in accordance with this section, which purchase
40 was made by an application submitted on or after the effective date
41 of P.L. , c. (pending before the Legislature as this bill), except a
42 purchase for military service in the Armed Forces of the United
43 States, shall not be eligible for consideration when service is used
44 to determine the qualification of the member for any health care
45 benefits coverage paid, in whole or in part, by a public employer
46 after the member's retirement.

47 (cf: P.L.1991, c.153, s.1)

1 4. Section 2 of P.L.1963, c.19 (C.43:15A-73.1) is amended to
2 read as follows:

3 2. A member may file a detailed statement of public
4 employment in other states or with the United States Government
5 which would be eligible for credit in a State-administered
6 retirement system if the employment was with a public employer in
7 this State, or of military service in the Armed Forces of the United
8 States, or of service resulting from initial appointment or
9 employment on or after January 1, 2002 with a bi-state or multi-
10 state agency established pursuant to an interstate compact to which
11 the State is a party which would be eligible for credit in a State-
12 administered retirement system if the employment was with a
13 public employer in this State, rendered prior to becoming a member,
14 for which the member desires credit, and of such other facts as the
15 retirement system may require. The member may purchase credit
16 for all or a portion of the service evidenced in the statement up to
17 the nearest number of years and months, but not exceeding 10
18 years, provided however, that a member purchasing that maximum
19 credit may purchase up to five additional years for additional
20 military service qualifying the member as a veteran as defined in
21 section 6 of P.L.1954, c.84 (C.43:15A-6). No application shall be
22 accepted for the purchase of credit for the service if, at the time of
23 application, the member has a vested right to retirement benefits in
24 another retirement system based in whole or in part upon that
25 service. The member may purchase credit for the service by paying
26 into the annuity savings fund the amount required by applying the
27 factor, supplied by the actuary as being applicable to the member's
28 age at the time of the purchase, to the member's salary at that time,
29 or to the highest annual compensation for service in this State for
30 which contributions were made during any prior fiscal year of
31 membership, whichever is greater. The purchase may be made in
32 regular installments, equal to at least 1/2 of the full normal
33 contribution to the retirement system, over a maximum period of 10
34 years. The employer of a member who applies, pursuant to this
35 section, to purchase credit for public employment with the United
36 States Government or for military service in the Armed Forces of
37 the United States shall not be liable for any payment to the
38 retirement system on behalf of the member for the purchase of this
39 credit.

40 Notwithstanding any provision of this act to the contrary, a
41 member shall not be liable for any costs associated with the
42 financing of pension adjustment benefits and health care benefits
43 for retirees when purchasing credit for public employment in other
44 states or with the United States Government or military service in
45 the Armed Forces of the United States or with a bi-state or multi-
46 state agency.

1 Any member electing to make a purchase pursuant to this section
2 who retires prior to completing payments as agreed with the
3 retirement system will receive pro rata credit for the purchase prior
4 to the date of retirement, but if the member so elects at the time of
5 retirement, the member may make the additional lump sum payment
6 required at that time to provide full credit.

7 Notwithstanding any other provision of law to the contrary,
8 service credit established in the retirement system by a member
9 through purchase in accordance with this section, which purchase
10 was made by an application submitted on or after the effective date
11 of P.L. , c. (pending before the Legislature as this bill), except a
12 purchase for military service in the Armed Forces of the United
13 States, shall not be eligible for consideration when service is used
14 to determine the qualification of the member for any health care
15 benefits coverage paid, in whole or in part, by a public employer
16 after the member's retirement.

17 (cf: P.L.2003, c.263, s.2)

18

19 5. N.J.S.18A:66-4 is amended to read as follows:

20 18A:66-4. The membership of the retirement system shall
21 consist of:

22 (a) all members of the teachers' pension and annuity fund
23 enrolled as such as of December 31, 1955;

24 (b) any person becoming a teacher on or after January 1, 1956,
25 except any person who has attained the age of 60 years prior to
26 becoming a teacher after June 30, 1958 but before July 1, 1968;

27 (c) every teacher veteran as of January 1, 1956, who is not a
28 member of the "Teachers' Pension and Annuity Fund" as of such
29 date and who shall not have notified the board of trustees within 30
30 days of such date that he does not desire to become a member;

31 (d) any teacher employed on January 1, 1956, who is not a
32 member of the Teachers' Pension and Annuity Fund and who elects
33 to become a member under the provisions of section 18A:66-10.

34 **[No]** Before or on the effective date of P.L. , c. (pending
35 before the Legislature as this bill), no person in employment, office
36 or position, for which the annual salary or remuneration is fixed at
37 less than \$500.00 shall be eligible to become a member of the
38 retirement system. After the effective date of P.L. , c. (pending
39 before the Legislature as this bill), a person who was a member of
40 the retirement system on that effective date and continuously
41 thereafter shall be eligible to be a member of the retirement system
42 in employment, office or position, for which the annual salary or
43 remuneration is fixed at \$500 or more. After the effective date of
44 P.L. , c. (pending before the Legislature as this bill), a person
45 who was not a member of the retirement system on that effective
46 date, or who was a member of the retirement system on that
47 effective date but not continuously thereafter, and who is in

1 employment, office or position, for which the annual salary or
2 remuneration is certified by the applicable public entity at \$7,500 or
3 more, shall be eligible to become a member of the retirement
4 system. The \$7,500 minimum annual salary or remuneration amount
5 shall be adjusted annually by the Director of the Division of
6 Pensions and Benefits, by regulation, in accordance with changes in
7 the Consumer Price Index but by no more than 4 percent.
8 “Consumer Price Index” means the average of the annual increase,
9 expressed as a percentage, in the consumer price index for all urban
10 consumers in the New York City and Philadelphia metropolitan
11 statistical areas during the preceding calendar year as reported by
12 the United States Department of Labor.

13 (cf: P.L.1968, c.229, s.1)

14

15 6. N.J.S.18A:66-8 is amended to read as follows:

16 18A:66-8. a. If a teacher:

17 (1) is dismissed by an employer by reason of reduction in
18 number of teachers employed in the school district, institution or
19 department when in the judgment of the employer it is advisable to
20 abolish any office, position or employment for reasons of a
21 reduction in the number of pupils, economy, a change in the
22 administrative or supervisory organization or other good cause; or
23 becomes unemployed by reason of the creation of a regional school
24 district or a consolidated school district; or has been discontinued
25 from service without personal fault or through leave of absence
26 granted by an employer or permitted by any law of this State; and

27 (2) has not withdrawn the accumulated member's contributions
28 from the retirement system, the teacher's membership may continue,
29 notwithstanding any provisions of this article, if the member returns
30 to service within a period of 10 years from the date of
31 discontinuance from service. No credit for retirement purposes
32 shall be allowed to the member covering the period of
33 discontinuance, except as provided in this section. In computing
34 the service or in computing final compensation, no time after
35 September 1, 1919, during which a member shall have been
36 employed as a teacher at an annual salary or remuneration fixed at
37 less than **[\$500.00]** that which is required for membership pursuant
38 to N.J.S.18A:66-4 as applicable to the member shall be credited,
39 except that in the case of a veteran member credit shall be given for
40 service rendered prior to January 1, 1955, in an employment, office
41 or position if the annual salary or remuneration therefor was fixed
42 at not less than \$300.00 and the service consisted of the
43 performance of the full duties of the employment, office or position.

44 b. A teacher may purchase credit for time during which the
45 teacher shall have been absent on an official leave without pay. The
46 credit shall be purchased for a period of time equal to:

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

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

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

7 The purchase shall be made in the same manner and be subject to
8 the same terms and conditions provided for the purchase of previous
9 membership service by N.J.S.18A:66-9.

10 (cf: P.L.1991, c.138, s.1)

11

12 7. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
13 as follows:

14 7. There is hereby established the Public Employees'
15 Retirement System of New Jersey in the Division of Pensions and
16 Benefits of the Department of the Treasury. The membership of the
17 retirement system shall include:

18 a. The members of the former "State Employees' Retirement
19 System of New Jersey" enrolled as such as of December 30, 1954,
20 who shall not have claimed for refund their accumulated deductions
21 in said system as provided in this section;

22 b. Any person becoming an employee of the State or other
23 employer after January 2, 1955 and every veteran, other than a
24 retired member who returns to service pursuant to subsection b. of
25 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
26 whose appointments are seasonal, becoming an employee of the
27 State or other employer after such date, including a temporary
28 employee with at least one year's continuous service. The
29 membership of the retirement system shall not include those
30 persons appointed to serve as described in paragraphs (2) and (3) of
31 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), except a
32 person who was a member of the retirement system prior to the
33 effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-
34 1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and
35 C.43:15A-135) and continuously thereafter; and

36 c. Every employee veteran in the employ of the State or other
37 employer on January 2, 1955, who is not a member of any
38 retirement system supported wholly or partly by the State.

39 d. Membership in the retirement system shall be optional for
40 elected officials other than veterans, and for school crossing guards,
41 who having become eligible for benefits under other pension
42 systems are so employed on a part-time basis. Elected officials
43 commencing service on or after the effective date of sections 1
44 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15,
45 C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not
46 be eligible for membership in the retirement system based on
47 service in the elective public office, except that an elected official

1 enrolled in the retirement system as of that effective date who
2 continues to hold that elective public office without a break in
3 service shall be eligible to continue membership in the retirement
4 system under the terms and conditions of enrollment. Service in the
5 Legislature shall be considered a single elective public office. Any
6 part-time school crossing guard who is eligible for benefits under
7 any other pension system and who was hired as a part-time school
8 crossing guard prior to March 4, 1976, may at any time terminate
9 his membership in the retirement system by making an application
10 in writing to the board of trustees of the retirement system. Upon
11 receiving such application, the board of trustees shall terminate his
12 enrollment in the system and direct the employer to cease accepting
13 contributions from the member or deducting from the compensation
14 paid to the member. State employees who become members of any
15 other retirement system supported wholly or partly by the State as a
16 condition of employment shall not be eligible for membership in
17 this retirement system. Notwithstanding any other law to the
18 contrary, all other persons accepting employment in the service of
19 the State shall be required to enroll in the retirement system as a
20 condition of their employment, regardless of age. **[No]** Before or
21 on the effective date of P.L. _____, c. _____ (pending before the Legislature
22 as this bill), no person in employment, office or position, for which
23 the annual salary or remuneration is fixed at less than \$1,500.00,
24 shall be eligible to become a member of the retirement system.
25 After the effective date of P.L. _____, c. _____ (pending before the
26 Legislature as this bill), a person who was a member of the
27 retirement system on that effective date and continuously thereafter
28 shall be eligible to be a member of the retirement system in
29 employment, office or position, for which the annual salary or
30 remuneration is fixed at \$1,500 or more. After the effective date of
31 P.L. _____, c. _____ (pending before the Legislature as this bill), a person
32 who was not a member of the retirement system on that effective
33 date, or who was a member of the retirement system on that
34 effective date but not continuously thereafter, and who is in
35 employment, office or position, for which the annual salary or
36 remuneration is certified by the applicable public entity at \$7,500 or
37 more, shall be eligible to become a member of the retirement
38 system. The \$7,500 minimum annual salary or remuneration
39 amount shall be adjusted annually by the Director of the Division of
40 Pensions and Benefits, by regulation, in accordance with changes in
41 the Consumer Price Index but by no more than 4 percent.
42 “Consumer Price Index” means the average of the annual increase,
43 expressed as a percentage, in the consumer price index for all urban
44 consumers in the New York City and Philadelphia metropolitan
45 statistical areas during the preceding calendar year as reported by
46 the United States Department of Labor.

- 1 e. Membership of any person in the retirement system shall
2 cease if he shall discontinue his service for more than two
3 consecutive years.
- 4 f. The accumulated deductions of the members of the former
5 "State Employees' Retirement System" which have been set aside in
6 a trust fund designated as Fund A as provided in section 5 of this
7 act and which have not been claimed for refund prior to February 1,
8 1955 shall be transferred from said Fund A to the Annuity Savings
9 Fund of the Retirement System, provided for in section 25 of this
10 act. Each member whose accumulated deductions are so transferred
11 shall receive the same prior service credit, pension credit, and
12 membership credit in the retirement system as he previously had in
13 the former "State Employees' Retirement System" and shall have
14 such accumulated deductions credited to his individual account in
15 the Annuity Savings Fund. Any outstanding obligations of such
16 member shall be continued.
- 17 g. Any school crossing guard electing to terminate his
18 membership in the retirement system pursuant to subsection d. of
19 this section shall, upon his request, receive a refund of his
20 accumulated deductions as of the date of his appointment to the
21 position of school crossing guard. Such refund of contributions
22 shall serve as a waiver of all benefits payable to the employee, to
23 his dependent or dependents, or to any of his beneficiaries under the
24 retirement system.
- 25 h. A temporary employee who is employed under the federal
26 Workforce Investment Act shall not be eligible for membership in
27 the system. Membership for temporary employees employed under
28 the federal Job Training Partnership Act, Pub.L.97-300 (29
29 U.S.C.s.1501) who are in the system on September 19, 1986 shall
30 be terminated, and affected employees shall receive a refund of
31 their accumulated deductions as of the date of commencement of
32 employment in a federal Job Training Partnership Act program.
33 Such refund of contributions shall serve as a waiver of all benefits
34 payable to the employee, to his dependent or dependents, or to any
35 of his beneficiaries under the retirement system.
- 36 i. Membership in the retirement system shall be optional for a
37 special service employee who is employed under the federal Older
38 American Community Service Employment Act, Pub.L.94-135 (42
39 U.S.C.s.3056). Any special service employee employed under the
40 federal Older American Community Service Employment Act,
41 Pub.L.94-135 (42 U.S.C.s.3056), who is in the retirement system on
42 the effective date of P.L.1996, c.139 may terminate membership in
43 the retirement system by making an application in writing to the
44 board of trustees of the retirement system. Upon receiving the
45 application, the board shall terminate enrollment in the system and
46 the member shall receive a refund of accumulated deductions as of
47 the date of commencement of employment in a federal Older

1 American Community Service Employment Act program. This
2 refund of contributions shall serve as a waiver of all benefits
3 payable to the employee, to any dependent or dependents, or to any
4 beneficiary under the retirement system.

5 j. An employee of the South Jersey Port Corporation who was
6 employed by the South Jersey Port Corporation as of the effective
7 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
8 employed within 365 days of such effective date by a subsidiary
9 corporation or other corporation, which has been established by the
10 Delaware River Port Authority pursuant to subdivision (m) of
11 Article I of the compact creating the Delaware River Port Authority
12 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
13 146), shall be eligible to continue membership while an employee
14 of such subsidiary or other corporation.
15 (cf: P.L.2007, c.92, s.17)

16

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

19 39. In computing for retirement purposes the total service of a
20 member about to be retired, the retirement system shall credit the
21 member with the time of all service rendered by the member since
22 that member's last enrollment, and in addition with all the service to
23 which the member is entitled and with no other service. Except as
24 otherwise provided in this act, this service credit shall be final and
25 conclusive for retirement purposes unless the member shall
26 discontinue service for more than two consecutive years. In the case
27 of a member for whom compensation is defined in paragraph (2) of
28 subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the
29 retirement system shall credit the member with the time of all
30 service rendered by the member during the part of any year that the
31 member was a participant of the Defined Contribution Retirement
32 Program, pursuant to paragraph (5) of subsection a. of section 2 of
33 P.L.2007, c.92 (C.43:15C-2) as amended by section 12 of P.L.2007,
34 c.103, and making contributions to that program.

35 For the purpose of computing service for retirement purposes,
36 the board shall fix and determine by appropriate rules and
37 regulations how much service in any year shall equal a year of
38 service and a part of a year of service. Not more than one year shall
39 be credited for all service in a calendar year. A member may
40 purchase credit for time during which the member shall have been
41 absent on an official leave without pay. The credit shall be
42 purchased for a period of time equal to:

- 43 (1) three months or the duration of the leave, whichever is less;
44 or
45 (2) if the leave was due to the member's personal illness, two
46 years or the duration of the leave, whichever is less; or

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

3 The purchase shall be made in the same manner and be subject to
4 the same terms and conditions provided for the purchase of previous
5 membership service credit by section 8 of P.L.1954, c.54
6 (C.43:15A-8). In computing the service or in computing final
7 compensation, no time during which a member was in employment,
8 office, or position for which the annual salary or remuneration was
9 fixed at less than \$500.00 in the case of service rendered prior to
10 November 6, 1986, or for which the annual salary or remuneration
11 is fixed at less than [\$1,500.00] that which was required for
12 membership pursuant to section 7 of P.L.1954, c.84 (C.43:15A-7)
13 as applicable to the member in the case of service rendered on or
14 after that date, shall be credited, except that in the case of a veteran
15 member credit shall be given for service rendered prior to January
16 2, 1955, in an employment, office or position if the annual salary or
17 remuneration therefor was fixed at not less than \$300.00 and such
18 service consisted of the performance of the full duties of the
19 employment, office or position.
20 (cf: P.L.2007, c.103, s.18)

21

22 9. Section 65 of P.L.1954, c.84 (C.43:15A-65) is amended to
23 read as follows:

24 65. (a) All employees of any public agency or organization of
25 this State, which employs persons engaged in service to the public,
26 shall be eligible to participate in the Public Employees' Retirement
27 System; provided the employer consents thereto by resolution and
28 files a certified copy of such resolution with the board of trustees of
29 the Public Employees' Retirement System and the board of trustees
30 approves thereof by resolution. Such organization shall be referred
31 to in this act as the employer. If the participation of such
32 employees is so approved then the employer shall contribute to the
33 contingent reserve fund on account of its members at the same rate
34 per centum as would be paid by employers other than the State.

35 (b) Notwithstanding the provisions of subsection (a) of this
36 section, every person becoming an employee of a public agency or
37 organization of this State, which employs persons engaged in
38 service to the public, after June 30, 1966, who is not eligible to
39 become a member of any other retirement system, shall be required
40 to participate in the Public Employees' Retirement System.
41 Notwithstanding the provisions of subsection (a) of this section,
42 membership in the Public Employees' Retirement System shall be
43 optional with any person in the employ of any such public agency
44 or organization on June 30, 1966, provided such person is not
45 required to be a member pursuant to another provision of this act,
46 and provided further that such person is not eligible to be a member
47 of any other retirement system. The provisions of this subsection

1 shall not apply to any person whose position is temporary or
2 seasonal, nor to any person in office, position or employment for
3 which the annual salary or remuneration is fixed at less than
4 **[\$1,500.00]** that which is required for membership pursuant to
5 section 7 of P.L.1954, c.84 (C.43:15A-7) as applicable to the
6 member, nor to any person whose position is not covered by the
7 old-age and survivors' insurance provisions of the federal Social
8 Security Act. The public agency or organization employing any
9 such person who becomes a member of the retirement system
10 pursuant to this subsection shall contribute to the contingent reserve
11 fund on account of such employees at the same rate per centum as
12 would be paid by employers other than the State.
13 (cf: P.L.1986, c.139, s.3)
14

15 10. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
16 read as follows:

17 75. (a) If this act is so adopted it shall become effective in the
18 county or municipality adopting it on June 30 of the following year.
19 Membership in the Public Employees' Retirement System shall be
20 optional with the employees of the county, board of education or
21 municipality in the service on the day the act becomes effective or
22 on June 30, 1966, whichever is earlier, in such county, board of
23 education or municipality except in the case of public employee
24 veterans who on such date are members. An employee who elects
25 to become a member within one year after this act so takes effect
26 shall be entitled to prior service covering service rendered to the
27 county, board of education or municipality prior to July 1, 1966 or
28 prior to the date this act so becomes effective, whichever is earlier.
29 Membership shall be compulsory for all employees entering the
30 service of the county, board of education or municipality on July 1,
31 1966 or after the date this act becomes effective, whichever is
32 earlier. Where any such employee entering the service of the
33 county, board of education or municipality after the date this act so
34 becomes effective has had prior service for which evidence
35 satisfactory to the retirement system is presented, as an employee in
36 such county, board of education or municipality before the date
37 upon which this act so becomes effective, or July 1, 1966,
38 whichever is earlier, such employee shall be entitled to prior service
39 covering service rendered to the county, board of education or
40 municipality prior to the date this act so becomes effective, or July
41 1, 1966, whichever is earlier.

42 (b) Notwithstanding the provisions of section 74 of this act and
43 subsection (a) of this section, every person, other than a non-veteran
44 elected official, becoming an employee of a county, board of
45 education, municipality or school district after June 30, 1966, who
46 is not eligible to become a member of another retirement system,
47 shall be required to become a member of the Public Employees'

1 Retirement System. Notwithstanding the provisions of section 74
2 of this act and subsection (a) of this section, membership in the
3 retirement system shall be optional with any elected official who is
4 not a veteran, regardless of the date he assumes office, and with any
5 other person in the employ of any county, board of education,
6 municipality or school district on June 30, 1966, provided such
7 elected official or other person is not then a member and is not
8 required to be a member of the retirement system pursuant to
9 another provision of this act, and provided further that such person
10 is not eligible to be a member of another retirement system.
11 Elected officials commencing service on or after the effective date
12 of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through
13 C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-
14 135) shall not be eligible for membership in the retirement system
15 based on service in the elective public office, except that an elected
16 official enrolled in the retirement system as of that effective date
17 who continues to hold that elective public office without a break in
18 service shall be eligible to continue membership in the retirement
19 system under the terms and conditions of enrollment.

20 The provisions of this subsection shall not apply to any person
21 whose position is temporary or seasonal, nor to any person in
22 office, position or employment for which the annual salary or
23 remuneration is fixed at less than **[\$1,500.00]** that which is
24 required for membership pursuant to section 7 of P.L.1954, c.84
25 (C.43:15A-7) as applicable to the member, nor to any person whose
26 position is not covered by the old age and survivors' insurance
27 provisions of the federal Social Security Act. No credit shall be
28 allowed to any person becoming a member of the retirement system
29 pursuant to this subsection for service rendered to the employer
30 prior to July 1, 1966, until the provisions of section 74 of this act
31 have been complied with, in which event such credit shall be
32 allowed in accordance with the provisions of subsection (a) of this
33 section; except that the governing body of any county, board of
34 education or municipality may, by resolution, consent to the
35 allowance of such credit and file a certified copy of such resolution
36 with the board of trustees of the Public Employees' Retirement
37 System.

38 (cf: P.L.2007, c.92, s.18)

39

40 11. Section 2 of P.L.2007, c.92 (C.43:15C-2) is amended to read
41 as follows:

42 2. a. The following persons shall be eligible and shall
43 participate in the Defined Contribution Retirement Program:

44 (1) A person who commences service on or after the effective
45 date of this section of P.L.2007, c.92 (C.43:15C-1 et al.) in an
46 elective public office of this State or of a political subdivision
47 thereof, except that it shall not include a person who holds elective

1 public office on the effective date of this section and is enrolled in
2 the Public Employees' Retirement System while that person
3 continues to hold that elective public office without a break in
4 service. Service in the Legislature shall be considered a single
5 elective public office.

6 (2) A person who commences service on or after the effective
7 date of this section in an employment, office or position of the State
8 or of a political subdivision thereof, or an agency, board,
9 commission, authority or instrumentality of the State or of a
10 subdivision, pursuant to an appointment by the Governor that
11 requires the advice and consent of the Senate, or pursuant to an
12 appointment by the Governor to serve at the pleasure of the
13 Governor only during his or her term of office. This paragraph shall
14 not be deemed to include a person otherwise eligible for
15 membership in the State Police Retirement System or the Judicial
16 Retirement System.

17 (3) A person who commences service on or after the effective
18 date of this section in an employment, office or position in a
19 political subdivision of the State, or an agency, board, commission,
20 authority or instrumentality of a subdivision, pursuant to an
21 appointment by an elected public official or elected governing
22 body, that requires the specific consent or approval of the elected
23 governing body of the political subdivision that is substantially
24 similar in nature to the advice and consent of the Senate for
25 appointments by the Governor of the State as that similarity is
26 determined by the elected governing body and set forth in an
27 adopted ordinance or resolution, pursuant to guidelines or policy
28 that shall be established by the Local Finance Board in the
29 Department of Community Affairs or the Department of Education,
30 as appropriate to the elected governing body. This paragraph shall
31 not be deemed to include a person otherwise eligible for
32 membership in the Teachers' Pension and Annuity Fund or the
33 Police and Firemen's Retirement System, or a person who is
34 employed or appointed in the regular or normal course of
35 employment or appointment procedures and consented to or
36 approved in a general or routine manner appropriate for and
37 followed by the political subdivision, or the agency, board,
38 commission, authority or instrumentality of a subdivision, or a
39 person who holds a professional license or certificate to perform
40 and is performing as a certified health officer, tax assessor, tax
41 collector, municipal planner, chief financial officer, registered
42 municipal clerk, construction code official, licensed uniform
43 subcode inspector, qualified purchasing agent, or certified public
44 works manager.

45 (4) A person who is granted a pension or retirement allowance
46 under any pension fund or retirement system established under the

1 laws of this State and elects to participate pursuant to section 1 of
2 P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

3 (5) A member of the Teachers' Pension and Annuity Fund or the
4 Public Employees' Retirement System for whom compensation is
5 defined as the amount of base or contractual salary equivalent to the
6 annual maximum wage contribution base for Social Security,
7 pursuant to the Federal Insurance Contributions Act, for
8 contribution and benefit purposes in either of those retirement
9 systems, for whom participation in this retirement program shall be
10 with regard to any excess over the maximum compensation only.

11 (6) A person in employment, office or position for which the
12 annual salary or remuneration is less than that which is required to
13 become a member of the Teachers' Pension and Annuity Fund or
14 the Public Employees' Retirement System, or to make contributions
15 to those systems as a member on the basis of any such employment,
16 office or position, after the effective date of P.L. . . . , c. (pending
17 before the Legislature as this bill).

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

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

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

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

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

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

46 A person eligible and required to participate in the retirement
47 program pursuant to paragraph (5) of subsection a. of this section

1 may elect to waive participation with regard to that employment,
2 office, or position by filing, when first eligible, on a form required
3 by the division, a written waiver with the Division of Pensions and
4 Benefits that waives all rights and benefits that would otherwise be
5 provided by the retirement program. Such a person may thereafter
6 elect to participate in the retirement program by filing, on a form
7 required by the division, a written election to participate in the
8 retirement program and participation in the retirement program
9 pursuant to such election shall commence on the January 1 next
10 following the filing of the election to participate.

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

17 (cf: P.L.2007, c.103, s.12)

18

19 12. Section 3 of P.L.1969, c.242 (C.18A:66-169) is amended to
20 read as follows:

21 3. As used in this act:

22 a. "Accumulated deductions" means those contributions as
23 defined in N.J.S.18A:66-2 or in section 6 of P.L.1954, c.84
24 (C.43:15A-6).

25 b. "Base salary" means a participant's regular base or contractual
26 salary. It shall exclude bonus, overtime or other forms of extra
27 compensation such as (1) longevity lump sum payments, (2) lump
28 sum terminal sick leave or vacation pay, (3) the value of
29 maintenance, (4) individual pay adjustments made within or at the
30 conclusion of the participant's final year of service, (5) retroactive
31 salary adjustments or other pay adjustments made in the
32 participant's final year of service unless such adjustment was made
33 as a result of a general pay adjustment for all personnel of the
34 department or institution, (6) any unscheduled individual
35 adjustment made in the final year to place the member at the
36 maximum salary level within his salary range and (7) any pay for
37 services rendered during the summer vacation period by a
38 participant who is required to work only 10 months of the year.

39 c. "Base annual salary" means the base salary upon which
40 contributions by the member and his employer to the alternate
41 benefit program were based during the last year of creditable
42 service.

43 d. (Deleted by amendment, P.L.1994, c.48).

44 e. "University of Medicine and Dentistry" means the University
45 of Medicine and Dentistry of New Jersey established pursuant to the
46 terms of section 3 of P.L.1970, c.102 (C.18A:64G-3).

- 1 f. "County colleges" means the colleges so defined in
2 N.J.S.18A:64A-1.
- 3 g. "Division of Pensions" means the division established in the
4 Department of the Treasury pursuant to section 1 of P.L.1955, c.70
5 (C.52:18A-95) and is the agency responsible for the administration
6 of the alternate benefit program of the State and county colleges
7 and for the administration of the group life and disability insurances
8 of all alternate benefit programs established in the State for public
9 employees.
- 10 h. "Full-time officers" and "full-time members of the faculty"
11 shall include the president, vice president, secretary and treasurer of
12 the respective school. "Full-time" shall also include eligible full-
13 time officers and full-time members of the faculty who are granted
14 sabbaticals or leaves of absence with pay where the compensation
15 paid is 50% or more of the base salary at the time the leave
16 commences and the period of eligibility terminates with the end of
17 the school year following the year in which the sabbatical began.
18 "Part-time" shall be defined as an appointment where the employee
19 receives a salary or wages for a period of less than 50% of the
20 normal work week. These definitions shall apply to teaching or
21 administrative staff members or to employees serving in a dual
22 capacity where the appointment includes teaching as well as
23 administrative duties.
- 24 i. "Group Annuity Plan" refers to the Group Annuity Contract
25 R-134 between the Board of Trustees of the New Jersey Institute of
26 Technology and the Prudential Insurance Company of America.
- 27 j. "Member" or "participant" means a full-time officer or a full-
28 time member of the faculty participating in the alternate benefit
29 program, and after the effective date of P.L. , c. (pending before
30 the Legislature as this bill), means an adjunct faculty member or a
31 part-time instructor whose employment agreement begins after that
32 effective date .
- 33 k. "New Jersey Institute of Technology" means the Newark
34 College of Engineering.
- 35 l. "Pension reserve" means those moneys as defined in
36 N.J.S.18A:66-2 or in section 6 of P.L.1954, c.84 (C.43:15A-6).
- 37 m. "Rutgers, The State University" means the institution of
38 higher education described in chapter 65 of Title 18A of the New
39 Jersey Statutes.
- 40 n. "State Colleges" means the colleges so described in chapter
41 64 of Title 18A of the New Jersey Statutes.
- 42 o. "Mutual fund company" means an investment company or
43 trust regulated by the federal "Investment Company Act of 1940,"
44 15 U.S.C.s. 80a-1 et seq.
45 (cf: P.L.1994, c.48, s.187)

1 13. (New section) An appeal by any person who is denied
2 membership in the Teachers' Pension and Annuity Fund shall be
3 transmitted as a contested case, along with all relevant materials
4 and documents, by the State Treasurer to the Office of
5 Administrative Law which shall conduct an adjudicatory proceeding
6 thereon pursuant to the Administrative Procedure Act, P.L.1968,
7 C.410 (C.52:14B-1 et seq.).

8
9 14. (New section) An appeal by any person who is denied
10 membership in the Public Employees' Retirement System shall be
11 transmitted as a contested case, along with all relevant materials
12 and documents, by the State Treasurer to the Office of
13 Administrative Law which shall conduct an adjudicatory proceeding
14 thereon pursuant to the Administrative Procedure Act, P.L.1968,
15 C.410 (C.52:14B-1 et seq.).

16
17 15. Section 2 of P.L.1961, c.49 (C.52:14-17.26) is amended to
18 read as follows:

19 2. As used in this act:

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

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

23 (c) The term "employee" means an appointive or elective officer
24 **[or] , a full-time employee of the State of New Jersey, or a full-**
25 **time employee of an employer other than the State who appears on**
26 **a regular payroll and receives a salary or wages for an average of**
27 **the number of hours per week as prescribed by the governing body**
28 **of the participating employer which number of hours worked shall**
29 **be considered full-time, determined by resolution, and not less than**
30 **20.** For the purposes of this act an employee of Rutgers, The State
31 University of New Jersey, shall be deemed to be an employee of the
32 State, and an employee of the New Jersey Institute of Technology
33 shall be considered to be an employee of the State during such time
34 as the Trustees of the Institute are party to a contractual agreement
35 with the State Treasurer for the provision of educational services.
36 The term "employee" shall further mean, for purposes of this act, a
37 former employee of the South Jersey Port Corporation, who is
38 employed by a subsidiary corporation or other corporation, which
39 has been established by the Delaware River Port Authority pursuant
40 to subdivision (m) of Article I of the compact creating the Delaware
41 River Port Authority (R.S.32:3-2), as defined in section 3 of
42 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued
43 membership in the Public Employees' Retirement System pursuant
44 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

45 For the purposes of this act the term "employee" shall not
46 include persons employed on a short-term, seasonal, intermittent or
47 emergency basis, persons compensated on a fee basis, persons

1 having less than two months of continuous service or persons whose
2 compensation from the State is limited to reimbursement of
3 necessary expenses actually incurred in the discharge of their
4 official duties, provided, however, that the term "employee" shall
5 include persons employed on an intermittent basis to whom the
6 State has agreed to provide coverage under P.L.1961, c.49
7 (C.52:14-17.25 et seq.) in accordance with a binding collective
8 negotiations agreement. An employee paid on a 10-month basis,
9 pursuant to an annual contract, will be deemed to have satisfied the
10 two-month waiting period if the employee begins employment at
11 the beginning of the contract year. The term "employee" shall also
12 not include retired persons who are otherwise eligible for benefits
13 under this act but who, although they meet the age or disability
14 eligibility requirement of Medicare, are not covered by Medicare
15 Hospital Insurance, also known as Medicare Part A, and Medicare
16 Medical Insurance, also known as Medicare Part B. A determination
17 by the commission that a person is an eligible employee within the
18 meaning of this act shall be final and shall be binding on all parties.

19 (d) (1) The term "dependents" means an employee's spouse,
20 partner in a civil union couple or an employee's domestic partner as
21 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the
22 employee's unmarried children under the age of 23 years who live
23 with the employee in a regular parent-child relationship. "Children"
24 shall include stepchildren, legally adopted children and children
25 placed by the Division of Youth and Family Services in the
26 Department of Children and Families, provided they are reported
27 for coverage and are wholly dependent upon the employee for
28 support and maintenance. A spouse, partner in a civil union couple,
29 domestic partner or child enlisting or inducted into military service
30 shall not be considered a dependent during the military service. The
31 term "dependents" shall not include spouses, partners in a civil
32 union couple or domestic partners of retired persons who are
33 otherwise eligible for the benefits under this act but who, although
34 they meet the age or disability eligibility requirement of Medicare,
35 are not covered by Medicare Hospital Insurance, also known as
36 Medicare Part A, and Medicare Medical Insurance, also known as
37 Medicare Part B.

38 (2) Notwithstanding the provisions of paragraph (1) of this
39 subsection to the contrary and subject to the provisions of paragraph
40 (3) of this subsection, for the purposes of an employer other than
41 the State that is participating in the State Health Benefits Program
42 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term
43 "dependents" means an employee's spouse or partner in a civil
44 union couple and the employee's unmarried children under the age
45 of 23 years who live with the employee in a regular parent-child
46 relationship. "Children" shall include stepchildren, legally adopted
47 children and children placed by the Division of Youth and Family

1 Services in the Department of Children and Families provided they
2 are reported for coverage and are wholly dependent upon the
3 employee for support and maintenance. A spouse, partner in a civil
4 union couple or child enlisting or inducted into military service
5 shall not be considered a dependent during the military service. The
6 term "dependents" shall not include spouses or partners in a civil
7 union couple of retired persons who are otherwise eligible for
8 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,
9 although they meet the age or disability eligibility requirement of
10 Medicare, are not covered by Medicare Hospital Insurance, also
11 known as Medicare Part A, and Medicare Medical Insurance, also
12 known as Medicare Part B.

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

19 (e) The term "carrier" means a voluntary association,
20 corporation or other organization, including a health maintenance
21 organization as defined in section 2 of the "Health Maintenance
22 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully
23 engaged in providing or paying for or reimbursing the cost of,
24 personal health services, including hospitalization, medical and
25 surgical services, under insurance policies or contracts, membership
26 or subscription contracts, or the like, in consideration of premiums
27 or other periodic charges payable to the carrier.

28 (f) The term "hospital" means (1) an institution operated
29 pursuant to law which is primarily engaged in providing on its own
30 premises, for compensation from its patients, medical diagnostic
31 and major surgical facilities for the care and treatment of sick and
32 injured persons on an inpatient basis, and which provides such
33 facilities under the supervision of a staff of physicians and with 24
34 hour a day nursing service by registered graduate nurses, or (2) an
35 institution not meeting all of the requirements of (1) but which is
36 accredited as a hospital by the Joint Commission on Accreditation
37 of Hospitals. In no event shall the term "hospital" include a
38 convalescent nursing home or any institution or part thereof which
39 is used principally as a convalescent facility, residential center for
40 the treatment and education of children with mental disorders, rest
41 facility, nursing facility or facility for the aged or for the care of
42 drug addicts or alcoholics.

43 (g) The term "State managed care plan" means a health care
44 plan under which comprehensive health care services and supplies
45 are provided to eligible employees, retirees, and dependents: (1)
46 through a group of doctors and other providers employed by the
47 plan; or (2) through an individual practice association, preferred

1 provider organization, or point of service plan under which services
2 and supplies are furnished to plan participants through a network of
3 doctors and other providers under contracts or agreements with the
4 plan on a prepayment or reimbursement basis and which may
5 provide for payment or reimbursement for services and supplies
6 obtained outside the network. The plan may be provided on an
7 insured basis through contracts with carriers or on a self-insured
8 basis, and may be operated and administered by the State or by
9 carriers under contracts with the State.

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

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

21 (j) The term "successor plan" means a State managed care plan
22 that shall replace the traditional plan and that shall provide benefits
23 as set forth in subsection (B) of section 5 of P.L.1961, c.49
24 (C.52:14-17.29) with provisions regarding reimbursements and
25 payments as set forth in paragraph (1) of subsection (C) of section 5
26 of P.L.1961, c.49 (C.52:14-17.29).
27 (cf: P.L.2007, c.103, s.19)

28
29 16. (New section) Any person who knowingly obtains, or
30 attempts or conspires to obtain, coverage or benefits under the State
31 Health Benefits Program for himself or another, knowing that the
32 person for whom membership or benefits are sought is ineligible
33 therefor, shall be guilty of a crime of the fourth degree. Nothing in
34 this section shall preclude prosecution or conviction for any other
35 offense.

36
37 17. (New section) The State Health Benefits Commission shall
38 establish an audit program through which it shall conduct a
39 continuous review of the various public employers participating in
40 the State Health Benefits Program for the purpose of ensuring that
41 only eligible employees and retirees, and their dependents, are
42 receiving health care coverage under the program. Every public
43 entity whose employees are covered by the program, as well as
44 employees and retirees thereof, and their dependents, and any other
45 public entity having relevant information, shall cooperate fully with
46 the commission and shall provide all information, records and

1 documents requested by the commission in connection with an
2 audit.

3

4 18. Section 39 of P.L.1971, c.121 (C.18A:66-6.1) is amended to
5 read as follows:

6 39. a. In the case of any person who was required to become a
7 member of the retirement system as a condition of employment, and
8 whose application for enrollment in the retirement system or whose
9 application for transfer from one employer to another within the
10 system was filed beyond the effective date for his compulsory
11 enrollment in the system or his transfer within the system, such
12 person shall be required to purchase membership credit for his
13 compulsory coverage by paying into the annuity savings fund the
14 amount required by applying, in accordance with section 18A:66-
15 29, his rate of contribution on his current base salary subject to the
16 retirement system for each year of previous service during which
17 he was required to have been a member.

18 b. If more than 1 year has elapsed from the time that
19 contributions would have been required from such person, $1/2$ of
20 the employee's cost established by the computation provided by
21 subsection a. of this section, will be required of his employer and
22 shall be included in the next budget subsequent to the certification
23 of this special liability by the retirement system. The amount
24 certified by the system shall be payable by the employer to the
25 contingent reserve fund and shall be due and owing to the system
26 even if the employee is no longer in the employ of the employer by
27 the date such moneys are to be paid to the system.

28 c. The employee's obligation may be satisfied by regular
29 installments, equal to at least $1/2$ of the normal contribution to
30 the retirement system, over a maximum period of 10 years, but not
31 more than 2 years in the case of any employee who has attained or
32 will attain age 60 within the 2-year period or, for a person who
33 became a member of the retirement system on or after the effective
34 date of P.L. , c. (pending before the Legislature as this bill),
35 has attained or will attain age 62 within the 2-year period.

36 d. In the case of any person coming under the provisions of this
37 section, full pension credit for the period of employment for which
38 arrears are being paid by the employee shall be given upon the
39 payment of at least $1/2$ of the total employee's arrearage obligation
40 and the completion of 1 year of membership and the making of such
41 arrears payments, except that in the case of retirement pursuant to
42 sections 18A:66-36, 18A:66-37, 18A:66-44 and 18A:66-71, the
43 total membership credit for such service shall be in direct
44 proportion as the amount paid bears to the total amount of the
45 arrearage obligation of the employee.

46 (cf: P.L.1971, c.121, s.39)

1 19. N.J.S.18A:66-36 is amended to read as follows:

2 18A:66-36. Should a member of the Teachers' Pension and
3 Annuity Fund, after having completed 10 years of service, be
4 separated voluntarily or involuntarily from the service, before
5 reaching service retirement age, and not by removal for conduct
6 unbecoming a teacher or other just cause under the provisions of
7 sections 18A:28-4 to 18A:28-5 and 18A:28-9 to 18A:28-13
8 inclusive, such person may elect to receive, in lieu of the payment
9 provided in section 18A:66-34:

10 a. The payments provided for in section 18A:66-37, if he so
11 qualified under said section; or

12 b. A deferred retirement allowance beginning at age 60, or for
13 a person who becomes a member of the retirement system on or
14 after the effective date of P.L. _____, c. _____ (pending before the
15 Legislature as this bill) beginning at age 62, which shall be made
16 up of an annuity derived from the member's accumulated
17 deductions at the time of his severance from the service, and a
18 pension in the amount which, when added to the member's annuity,
19 will provide a total retirement allowance of 1/64 of his final
20 compensation for each year of service credited as Class A service
21 and 1/55 of his final compensation for each year of service credited
22 as class B service, calculated in accordance with section 18A:66-44,
23 with optional privileges provided for in section 18A:66-47 if he
24 exercises such optional privilege at least 30 days before his
25 attainment of the normal retirement age; provided, that such
26 election is communicated by such member to the retirement system
27 in writing stating at what time subsequent to the execution and
28 filing thereof he desires to be retired; and provided, further, that
29 such member may later elect: (1) to receive the payments provided
30 for in section 18A:66-37, if he had qualified under that section at
31 the time of leaving service, except that in order to avail himself of
32 the optional privileges pursuant to section 18A:66-47, he must
33 exercise such optional privilege at least 30 days before the effective
34 date of his retirement; or (2) to withdraw his accumulated
35 deductions with interest as provided in section 18A:66-34. If such
36 member shall die before attaining service retirement age, then his
37 accumulated deductions, plus regular interest after January 1, 1956,
38 shall be paid in accordance with section 18A:66-38, and, in addition
39 if such member shall die after attaining service retirement age and
40 has not withdrawn his accumulated deductions, an amount equal to
41 3/16 of the compensation upon which contributions by the member
42 to the annuity savings fund were based in the last year of creditable
43 service shall be paid to such member's beneficiary.

44 Any member who, having elected to receive a deferred
45 retirement allowance, again becomes an employee covered by the
46 retirement system while under the age of 60 or, if that person
47 became a member of the retirement system on or after the effective

1 date of P.L. _____, c. _____ (pending before the Legislature as this bill),
2 while under the age of 62, shall thereupon be reenrolled. If he had
3 discontinued his service for more than two consecutive years,
4 subsequent contributions shall be at a rate applicable to the age
5 resulting from the subtraction of his years of creditable service at
6 the time of his last discontinuance of contributing membership from
7 his age at the time of his return to service. He shall be credited with
8 all service as a member standing to his credit at the time of his
9 election to receive a deferred retirement allowance.

10 (cf: P.L.2001, c.133, s.4)

11

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

13 18A:66-37. Should a member resign after having established 25
14 years of creditable service before reaching age 60, or before
15 reaching the age of 62 if the person became a member of the
16 retirement system on or after the effective date of P.L. _____, c.
17 (pending before the Legislature as this bill), the member may elect
18 "early retirement," provided, that such election is communicated by
19 such member to the retirement system by filing a written
20 application, duly attested, stating at what time subsequent to the
21 execution and filing thereof the member desires to be retired. The
22 member shall receive, in lieu of the payment provided in
23 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the
24 member's accumulated deductions and a pension in the amount
25 which, when added to the member's annuity, will provide a total
26 retirement allowance of 1/64 of the member's final compensation
27 for each year of service credited as class A service and 1/55 of the
28 member's final compensation for each year of service credited as
29 class B service, calculated in accordance with N.J.S.18A:66-44,
30 reduced:

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

33 (b) for a person who becomes a member of the retirement
34 system on or after July 1, 2007, by 1/4 of 1% for each month that
35 the member lacks of being age 55 and by 1/12 of 1% for each
36 month that the member lacks of being age 60 but over age 55; or

37 (c) for a person who becomes a member of the retirement system
38 on or after the effective date of P.L. _____, c. _____ (pending before the
39 Legislature as this bill), by 1/4 of 1% for each month that the
40 member lacks of being age 55 and by 1/12 of 1% for each month
41 that the member lacks of being age 62 but over age 55; provided,
42 however, that upon the receipt of proper proofs of the death of such
43 a member there shall be paid to the member's beneficiary an amount
44 equal to 3/16 of the compensation upon which contributions by the
45 member to the annuity savings fund were based in the last year of
46 creditable service or in the year of the member's highest contractual
47 salary, whichever is higher.

1 Subparagraph (b) or (c) of this section shall not apply to a person
2 who at the time of enrollment in the retirement system on or after
3 July 1, 2007 transfers service credit from another State-
4 administered retirement system pursuant to N.J.S.18A:66-15.1, but
5 shall apply to a former member of the retirement system who has
6 been granted a retirement allowance and is reenrolled in the
7 retirement system on or after July 1, 2007 pursuant to
8 N.J.S.18A:66-53.2 after becoming employed again in a position that
9 makes the person eligible to be a member of the retirement system.

10 The board of trustees shall retire the member at the time
11 specified or at such other time within one month after the date so
12 specified as the board finds advisable.

13 (cf: P.L.2007, c.103, s.7)

14
15 21. N.J.S.18A:66-43 is amended to read as follows:

16 18A:66-43. Retirement for service shall be as follows: (a) A
17 **【member who】** person who was a member before the effective date
18 of P.L. , c. (pending before the Legislature as this bill) and has
19 attained 60 years of age may retire on a service retirement
20 allowance by filing with the retirement system a written
21 application, duly attested, stating at which time subsequent to the
22 execution and filing thereof he desires to be retired. The board of
23 trustees shall retire him at the time specified or at such other time
24 within 1 month after the date so specified as the board finds
25 advisable.

26 (b) **【Any member in service who attains 70 years of age shall be**
27 **retired by the board of trustees on a service retirement allowance**
28 **forthwith on the first day of the next calendar month, or at such**
29 **time within 1 year thereafter as it deems advisable】** A person who
30 becomes a member on or after the effective date of P.L. , c.
31 (pending before the Legislature as this bill) and has attained 62
32 years of age may retire on a service retirement allowance by filing
33 with the retirement system a written application, duly attested,
34 stating at which time subsequent to the execution and filing thereof
35 the member desires to be retired. The board of trustees shall retire
36 the member at the time specified or at such other time within 1
37 month after the date so specified as the board finds advisable.

38 (cf: P.L.1971, c.121, s.24)

39
40 22. Section 48 of P.L.1971, c.213 (C.43:15A-7.1) is amended to
41 read as follows:

42 48. a. In the case of any person who was required to become a
43 member of the retirement system as a condition of employment, and
44 whose application for enrollment in the retirement system or whose
45 application for transfer from one employer to another within the
46 system was filed beyond the effective date for his compulsory
47 enrollment in the system or his transfer within the system, such

1 person shall be required to purchase membership credit for his
2 compulsory coverage by paying into the annuity savings fund the
3 amount required by applying, in accordance with section 25 of
4 chapter 84 of the laws of 1954, his rate of contribution on his
5 current base salary subject to the retirement system for each year of
6 previous service during which he was required to have been a
7 member.

8 b. If more than 1 year has elapsed from the time that
9 contributions would have been required from such person, 1/2 of
10 the employee's cost, established by the computation provided by
11 subsection a. of this section, will be required of his employer and
12 shall be included in the next budget subsequent to the certification
13 of this special liability by the retirement system. The amount
14 certified by the system shall be payable by the employer to the
15 contingent reserve fund and shall be due and owing to the system
16 even if the employee is no longer in the employ of the employer by
17 the date such moneys are to be paid to the system.

18 c. The employees' obligation may be satisfied by regular
19 installments, equal to at least 1/2 the normal contribution to the
20 retirement system, over a maximum period of 10 years but not more
21 than 2 years in the case of any employee who has attained or will
22 attain age 60 within the 2-year period, or in the case of any
23 employee who became a member of the retirement system on or
24 after the effective date of P.L. _____, c. _____ (pending before the
25 Legislature as this bill), has attained or will attain age 62 within the
26 2-year period.

27 d. In the case of any person coming under the provisions of this
28 section, full pension credit for the period of employment for which
29 arrears are being paid by the employee shall be given upon the
30 payment of at least 1/2 of the total employee's arrearage obligation
31 and the completion of 1 year of membership and the making of such
32 arrears payments, except that in the case of retirement pursuant to
33 sections 38, 41(b), 48 and 61 of chapter 84 of the laws of 1954, the
34 total membership credit for such service shall be in direct
35 proportion as the amount paid bears to the total amount of the
36 arrearage obligation of the employee.

37 (cf: P.L.1971, c.213, s.48)

38

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

41 41. a. A member who withdraws from service or ceases to be an
42 employee for any cause other than death or retirement shall, upon
43 the filing of an application therefor, receive all of his accumulated
44 deductions standing to the credit of his individual account in the
45 annuity savings fund, plus regular interest, less any outstanding
46 loan, except that for any period after June 30, 1944, the interest
47 payable shall be such proportion of the interest determined at the

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

14 b. Should a member resign after having established 25 years of
15 creditable service before reaching age 60, or before reaching age 62
16 if the person became a member of the retirement system on or after
17 the effective date of P.L. , c. (pending before the Legislature as
18 this bill), he may elect "early retirement," provided, that such
19 election is communicated by such member to the retirement system
20 by filing a written application, duly attested, stating at what time
21 subsequent to the execution and filing thereof he desires to be
22 retired. He shall receive, in lieu of the payment provided in
23 subsection a. of this section, an annuity which is the actuarial
24 equivalent of his accumulated deductions together with regular
25 interest, and a pension in the amount which, when added to the
26 member's annuity, will provide a total retirement allowance of 1/64
27 of his final compensation for each year of service credited as Class
28 A service and 1/55 of his final compensation for each year of
29 service credited as Class B service, calculated in accordance with
30 section 48 (C.43:15A-48) of this act, reduced:

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

33 (b) for a person who becomes a member of the retirement
34 system on or after July 1, 2007, by 1/4 of 1% for each month that
35 the member lacks of being age 55 and by 1/12 of 1% for each
36 month that the member lacks of being age 60 but over age 55; or

37 (c) for a person who becomes a member of the retirement system
38 on or after the effective date of P.L. , c. (pending before the
39 Legislature as this bill), by 1/4 of 1% for each month that the
40 member lacks of being age 55 and by 1/12 of 1% for each month
41 that the member lacks of being age 62 but over age 55; provided,
42 however, that upon the receipt of proper proofs of the death of such
43 a member there shall be paid to his beneficiary an amount equal to
44 three-sixteenths of the compensation upon which contributions by
45 the member to the annuity savings fund were based in the last year
46 of creditable service.

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

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

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

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

20 (2) An amount equal to one and one-half times the
21 compensation upon which contributions by the member to the
22 annuity savings fund were based in the last year of creditable
23 service.

24 (cf: P.L.2007, c.103, s.8)

25

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

28 47. a. A **【member who】** person who was a member before the
29 effective date of P.L. _____, c. _____ (pending before the Legislature as this
30 bill) and has attained 60 years of age may retire on a service
31 retirement allowance by filing with the retirement system a written
32 application, duly attested, stating at which time subsequent to the
33 execution and filing thereof the member desires to be retired. The
34 board of trustees shall retire him at the time specified or at such
35 other time within one month after the date so specified as the board
36 finds advisable.

37 b. **【Any member in service who attains 70 years of age shall be**
38 **retired by the board of trustees on a service retirement allowance**
39 **forthwith on the first day of the next calendar month, or at such**
40 **time within one month thereafter as it finds advisable, except that**
41 **an employee attaining 70 years of age, other than a judge of the**
42 **Office of Administrative Law or a judge of the Division of Workers'**
43 **Compensation, may be continued in service on an annual basis upon**
44 **written notice to the retirement system by the head of the State**
45 **department or employer where the employee is employed】** A person
46 who becomes a member on or after the effective date of P.L. _____, c.
47 (pending before the Legislature as this bill) and has attained 62

1 years of age may retire on a service retirement allowance by filing
2 with the retirement system a written application, duly attested,
3 stating at which time subsequent to the execution and filing thereof
4 the member desires to be retired. The board of trustees shall retire
5 the member at the time specified or at such other time within one
6 month after the date so specified as the board finds advisable.

7 (cf: P.L.1999, c.38, s.16)

8

9 25. (New section) a. Paid holidays granted to all State
10 government employees each calendar year shall be limited to the
11 following:

12 (1) January 1, known as New Year's Day;

13 (2) the third Monday in January, known as Martin Luther King's
14 Birthday;

15 (3) the third Monday in February, known as Washington's
16 Birthday, which shall be known and celebrated as Presidents Day in
17 this State;

18 (4) the day designated and known as Good Friday;

19 (5) the last Monday in May, known as Memorial Day;

20 (6) July 4, known as Independence Day;

21 (7) the first Monday in September, known as Labor Day;

22 (8) the second Monday in October, known as Columbus Day;

23 (9) November 11, known as Armistice Day or Veterans' Day;

24 (10) the fourth Thursday in November, known as Thanksgiving
25 Day;

26 (11) December 25, known as Christmas Day; and

27 (12) any general election day in this State.

28 b. The provisions of this section shall not impair any collective
29 bargaining agreement or contract in effect on the effective date of
30 P.L. , c. (pending before the Legislature as this bill). The
31 provision of this section shall take effect in the calendar year
32 following the expiration of the collective bargaining agreements or
33 contracts covering a majority of the Executive Branch employees in
34 effect on the effective date of P.L. , c. (pending before the
35 Legislature as this bill).

36

37 26. R.S.36:1-1 is amended to read as follows:

38 36:1-1. a. The following days in each year shall, for all
39 purposes whatsoever as regards the presenting for payment or
40 acceptance, and of the protesting and giving notice of dishonor, of
41 bills of exchange, bank checks and promissory notes be treated and
42 considered as the first day of the week, commonly called Sunday,
43 and as public holidays, except as provided under subsection d. of
44 this section: January 1, known as New Year's Day; the third
45 Monday in January, known as Martin Luther King's Birthday;
46 February 12, known as Lincoln's Birthday; the third Monday in
47 February, known as Washington's Birthday; the day designated and

1 known as Good Friday; the last Monday in May, known as
2 Memorial Day; July 4, known as Independence Day; the first
3 Monday in September, known as Labor Day; the second Monday in
4 October, known as Columbus Day; November 11, known as
5 Armistice Day or Veterans' Day; the fourth Thursday in November,
6 known as Thanksgiving Day; December 25, known as Christmas
7 Day; any general election day in this State; every Saturday; and any
8 day heretofore or hereafter appointed, ordered or recommended by
9 the Governor of this State, or the President of the United States, as a
10 day of fasting and prayer, or other religious observance, or as a
11 bank holiday or holidays. All such bills, checks and notes,
12 otherwise presentable for acceptance or payment on any of the days
13 herein enumerated, shall be deemed to be payable and be
14 presentable for acceptance or payment on the secular or business
15 day next succeeding any such holiday.

16 b. Whenever any of the days herein enumerated can and shall
17 fall on a Sunday, the Monday next following shall, for any of the
18 purposes herein enumerated be deemed a public holiday, except as
19 provided under subsection d. of this section; and bills of exchange,
20 checks and promissory notes which otherwise would be presentable
21 for acceptance or payment on such Monday shall be deemed to be
22 presentable for acceptance or payment on the secular or business
23 day next succeeding such holiday.

24 c. In construing this section, every Saturday shall, until 12
25 o'clock noon, be deemed a secular or business day, except as is
26 hereinbefore provided in regard to bills of exchange, bank checks
27 and promissory notes, and the days herein enumerated except bank
28 holidays and Saturdays shall be considered as the first day of the
29 week, commonly called Sunday, and public holidays, for all
30 purposes whatsoever as regards the transaction of business in the
31 public offices of this State, or counties of this State, except as
32 provided under subsection d. of this section; but on all other days or
33 half days, except Sunday or as otherwise provided by law, such
34 offices shall be kept open for the transaction of business.

35 d. Notwithstanding the provisions of subsections a. through c. of
36 this section, when the provision of section 26 of P.L. , c.
37 (pending before the Legislature as this bill) takes effect, the
38 following day each calendar year shall not be considered a public
39 holiday for the purposes of conducting State government business:

40 February 12, known as Lincoln's Birthday.

41 All public offices of State government in this State shall be open
42 on this day for the transaction of business.

43 (cf: P.L.1984, c.97, s.1)

44

45 27. Section 1 of P.L.1978, c.135 (C.36:1-1.2) is amended to read
46 as follows:

1 1. Whenever any legal holiday enumerated in R.S.36:1-1 other
2 than Saturday, and other than those days enumerated under
3 subsection d. of R.S.36:1-1, can and shall fall on a Saturday, the
4 preceding Friday shall be deemed to be said holiday for State
5 employees, and the public offices of the State government shall be
6 closed for the transaction of business.

7 (cf: P.L.1978, c.135, s.1)

8

9 28. This act shall take effect on first day of second month
10 following enactment.

11

12

13

14

15 Makes changes to PERS and TPAF concerning retirement age,
16 eligibility, purchase of service credit; makes various changes to
17 SHBP administration; merges Washington and Lincoln holidays for
18 State employees in Presidents Day.

SENATE, No. 1962

STATE OF NEW JERSEY

213th LEGISLATURE

INTRODUCED JUNE 9, 2008

Sponsored by:

Senator BARBARA BUONO

District 18 (Middlesex)

Senator THOMAS H. KEAN, JR.

District 21 (Essex, Morris, Somerset and Union)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Restricts TPAF and PERS membership and credit to full-time work with certain number of hours per week and makes certain part-time persons eligible for Defined Contribution Retirement Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/13/2008)

1 AN ACT requiring certain full-time service for membership and the
2 accrual of credit in the Teachers' Pension and Annuity Fund and
3 the Public Employees' Retirement System, and amending various
4 parts of the statutory law.

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

8
9 1. N.J.S.18A:66-4 is amended to read as follows:

10 18A:66-4. The membership of the retirement system shall
11 consist of:

12 (a) all members of the teachers' pension and annuity fund
13 enrolled as such as of December 31, 1955;

14 (b) any person becoming a teacher on or after January 1, 1956,
15 except any person who has attained the age of 60 years prior to
16 becoming a teacher after June 30, 1958 but before July 1, 1968;

17 (c) every teacher veteran as of January 1, 1956, who is not a
18 member of the "Teachers' Pension and Annuity Fund" as of such
19 date and who shall not have notified the board of trustees within 30
20 days of such date that he does not desire to become a member;

21 (d) any teacher employed on January 1, 1956, who is not a
22 member of the Teachers' Pension and Annuity Fund and who elects
23 to become a member under the provisions of section 18A:66-10.

24 **[No]** Before or on the effective date of P.L. , c. (pending
25 before the Legislature as this bill), no person in employment, office
26 or position, for which the annual salary or remuneration is fixed at
27 less than \$500.00 shall be eligible to become a member of the
28 retirement system. After the effective date of P.L. , c. (pending
29 before the Legislature as this bill), (1) no person in an employment,
30 office or position of the State, or an agency, board, commission,
31 authority or instrumentality of the State, for which the hours of
32 work are fixed at fewer than 35 per week shall be eligible to
33 become a member of the retirement system or shall be able to make
34 contributions to the system as a member on the basis of any such
35 employment, office or position commencing after any break in
36 active service; and (2) no person in part-time employment, office or
37 position with a board of education or other education employer for
38 which the hours of work are fixed by a resolution of the board of
39 education or other education employer at fewer than 30 per week,
40 shall be eligible to become a member of the retirement system or
41 shall be able to make contributions to the system as a member on
42 the basis of any such employment, office or position commencing
43 after any break in active service.

44 (cf: P.L.1968, c.229, s.1)

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

Matter underlined thus is new matter.

1 2. N.J.S.18A:66-8 is amended to read as follows:

2 18A:66-8. a. If a teacher:

3 (1) is dismissed by an employer by reason of reduction in
4 number of teachers employed in the school district, institution or
5 department when in the judgment of the employer it is advisable to
6 abolish any office, position or employment for reasons of a
7 reduction in the number of pupils, economy, a change in the
8 administrative or supervisory organization or other good cause; or
9 becomes unemployed by reason of the creation of a regional school
10 district or a consolidated school district; or has been discontinued
11 from service without personal fault or through leave of absence
12 granted by an employer or permitted by any law of this State; and

13 (2) has not withdrawn the accumulated member's contributions
14 from the retirement system, the teacher's membership may continue,
15 notwithstanding any provisions of this article, if the member returns
16 to service within a period of 10 years from the date of
17 discontinuance from service. No credit for retirement purposes
18 shall be allowed to the member covering the period of
19 discontinuance, except as provided in this section. In computing
20 the service or in computing final compensation, no time after
21 September 1, 1919 and before or on the effective date of P.L. _____,
22 c. (pending before the Legislature as this bill), during which a
23 member shall have been employed as a teacher at an annual salary
24 or remuneration fixed at less than \$500.00 shall be credited[, except
25 that in] . In computing the service or in computing final
26 compensation, no time after the effective date of P.L. _____,
27 c. (pending before the Legislature as this bill), during which a
28 member shall have been employed as a teacher for fewer than 30
29 hours per week shall be credited, unless the member shall have been
30 employed as a teacher since that effective date continuously without
31 a break in active service. In the case of a veteran member credit
32 shall be given for service rendered prior to January 1, 1955, in an
33 employment, office or position if the annual salary or remuneration
34 therefor was fixed at not less than \$300.00 and the service consisted
35 of the performance of the full duties of the employment, office or
36 position.

37 b. A teacher may purchase credit for time during which the
38 teacher shall have been absent on an official leave without pay. The
39 credit shall be purchased for a period of time equal to:

40 (1) three months or the duration of the leave, whichever is less;
41 or

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

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

46 The purchase shall be made in the same manner and be subject to
47 the same terms and conditions provided for the purchase of previous

1 membership service by N.J.S.18A:66-9.

2 (cf: P.L.1991, c.138, s.1)

3

4 3. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
5 as follows:

6 7. There is hereby established the Public Employees'
7 Retirement System of New Jersey in the Division of Pensions and
8 Benefits of the Department of the Treasury. The membership of the
9 retirement system shall include:

10 a. The members of the former "State Employees' Retirement
11 System of New Jersey" enrolled as such as of December 30, 1954,
12 who shall not have claimed for refund their accumulated deductions
13 in said system as provided in this section;

14 b. Any person becoming an employee of the State or other
15 employer after January 2, 1955 and every veteran, other than a
16 retired member who returns to service pursuant to subsection b. of
17 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
18 whose appointments are seasonal, becoming an employee of the
19 State or other employer after such date, including a temporary
20 employee with at least one year's continuous service. The
21 membership of the retirement system shall not include those
22 persons appointed to serve as described in paragraphs (2) and (3) of
23 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), except a
24 person who was a member of the retirement system prior to the
25 effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-
26 1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and
27 C.43:15A-135) and continuously thereafter; and

28 c. Every employee veteran in the employ of the State or other
29 employer on January 2, 1955, who is not a member of any
30 retirement system supported wholly or partly by the State.

31 d. Membership in the retirement system shall be optional for
32 elected officials other than veterans, and for school crossing guards,
33 who having become eligible for benefits under other pension
34 systems are so employed on a part-time basis. Elected officials
35 commencing service on or after the effective date of sections 1
36 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15,
37 C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not
38 be eligible for membership in the retirement system based on
39 service in the elective public office, except that an elected official
40 enrolled in the retirement system as of that effective date who
41 continues to hold that elective public office without a break in
42 service shall be eligible to continue membership in the retirement
43 system under the terms and conditions of enrollment. Service in the
44 Legislature shall be considered a single elective public office. Any
45 part-time school crossing guard who is eligible for benefits under
46 any other pension system and who was hired as a part-time school
47 crossing guard prior to March 4, 1976, may at any time terminate
48 his membership in the retirement system by making an application

1 in writing to the board of trustees of the retirement system. Upon
2 receiving such application, the board of trustees shall terminate his
3 enrollment in the system and direct the employer to cease accepting
4 contributions from the member or deducting from the compensation
5 paid to the member. State employees who become members of any
6 other retirement system supported wholly or partly by the State as a
7 condition of employment shall not be eligible for membership in
8 this retirement system. Notwithstanding any other law to the
9 contrary, all other persons accepting employment in the service of
10 the State shall be required to enroll in the retirement system as a
11 condition of their employment, regardless of age. **[No]** Before or
12 on the effective date of P.L. , c. (pending before the Legislature
13 as this bill), no person in employment, office or position, for which
14 the annual salary or remuneration is fixed at less than \$1,500.00,
15 shall be eligible to become a member of the retirement system.
16 After the effective date of P.L. , c. (pending before the
17 Legislature as this bill), (1) no person in an employment, office or
18 position of the State, or an agency, board, commission, authority or
19 instrumentality of the State, for which the hours of work are fixed at
20 fewer than 35 per week shall be eligible to become a member of the
21 retirement system or shall be able to make contributions to the
22 system as a member on the basis of any such employment, office or
23 position commencing after any break in active service; and (2) no
24 person in part-time employment, office or position of a political
25 subdivision of the State, or an agency, board, commission, authority
26 or instrumentality of a political subdivision of the State, for which
27 the hours of work are fixed by an ordinance or resolution of the
28 political subdivision, or agency, board, commission, authority or
29 instrumentality thereof, at fewer than 30 per week shall be eligible
30 to become a member of the retirement system or shall be able to
31 make contributions to the system as a member on the basis of any
32 such employment, office or position commencing after any break in
33 active service.

34 e. Membership of any person in the retirement system shall
35 cease if he shall discontinue his service for more than two
36 consecutive years.

37 f. The accumulated deductions of the members of the former
38 "State Employees' Retirement System" which have been set aside in
39 a trust fund designated as Fund A as provided in section 5 of this
40 act and which have not been claimed for refund prior to February 1,
41 1955 shall be transferred from said Fund A to the Annuity Savings
42 Fund of the Retirement System, provided for in section 25 of this
43 act. Each member whose accumulated deductions are so transferred
44 shall receive the same prior service credit, pension credit, and
45 membership credit in the retirement system as he previously had in
46 the former "State Employees' Retirement System" and shall have
47 such accumulated deductions credited to his individual account in

1 the Annuity Savings Fund. Any outstanding obligations of such
2 member shall be continued.

3 g. Any school crossing guard electing to terminate his
4 membership in the retirement system pursuant to subsection d. of
5 this section shall, upon his request, receive a refund of his
6 accumulated deductions as of the date of his appointment to the
7 position of school crossing guard. Such refund of contributions
8 shall serve as a waiver of all benefits payable to the employee, to
9 his dependent or dependents, or to any of his beneficiaries under the
10 retirement system.

11 h. A temporary employee who is employed under the federal
12 Workforce Investment Act shall not be eligible for membership in
13 the system. Membership for temporary employees employed under
14 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.
15 s.1501) who are in the system on September 19, 1986 shall be
16 terminated, and affected employees shall receive a refund of their
17 accumulated deductions as of the date of commencement of
18 employment in a federal Job Training Partnership Act program.
19 Such refund of contributions shall serve as a waiver of all benefits
20 payable to the employee, to his dependent or dependents, or to any
21 of his beneficiaries under the retirement system.

22 i. Membership in the retirement system shall be optional for a
23 special service employee who is employed under the federal Older
24 American Community Service Employment Act, Pub.L.94-135 (42
25 U.S.C. s.3056). Any special service employee employed under the
26 federal Older American Community Service Employment Act,
27 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
28 on the effective date of P.L.1996, c.139 may terminate membership
29 in the retirement system by making an application in writing to the
30 board of trustees of the retirement system. Upon receiving the
31 application, the board shall terminate enrollment in the system and
32 the member shall receive a refund of accumulated deductions as of
33 the date of commencement of employment in a federal Older
34 American Community Service Employment Act program. This
35 refund of contributions shall serve as a waiver of all benefits
36 payable to the employee, to any dependent or dependents, or to any
37 beneficiary under the retirement system.

38 j. An employee of the South Jersey Port Corporation who was
39 employed by the South Jersey Port Corporation as of the effective
40 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
41 employed within 365 days of such effective date by a subsidiary
42 corporation or other corporation, which has been established by the
43 Delaware River Port Authority pursuant to subdivision (m) of
44 Article I of the compact creating the Delaware River Port Authority
45 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
46 146), shall be eligible to continue membership while an employee
47 of such subsidiary or other corporation.

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

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

3 39. In computing for retirement purposes the total service of a
4 member about to be retired, the retirement system shall credit the
5 member with the time of all service rendered by the member since
6 that member's last enrollment, and in addition with all the service to
7 which the member is entitled and with no other service. Except as
8 otherwise provided in this act, this service credit shall be final and
9 conclusive for retirement purposes unless the member shall
10 discontinue service for more than two consecutive years. In the case
11 of a member for whom compensation is defined in paragraph (2) of
12 subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the
13 retirement system shall credit the member with the time of all
14 service rendered by the member during the part of any year that the
15 member was a participant of the Defined Contribution Retirement
16 Program, pursuant to paragraph (5) of subsection a. of section 2 of
17 P.L.2007, c.92 (C.43:15C-2) as amended by section 12 of P.L.2007,
18 c.103, and making contributions to that program.

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

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

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

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

33 The purchase shall be made in the same manner and be subject to
34 the same terms and conditions provided for the purchase of previous
35 membership service credit by section 8 of P.L.1954, c.54
36 (C.43:15A-8). In computing the service or in computing final
37 compensation, no time during which a member was in employment,
38 office, or position for which the annual salary or remuneration was
39 fixed at less than \$500.00 in the case of service rendered prior to
40 November 6, 1986, or less than \$1,500.00 in the case of service
41 rendered on or after that date and before or on the effective date of
42 P.L. , c. (pending before the Legislature as this bill), shall be
43 credited[, except that in] . In computing the service or in
44 computing final compensation, no time during which a member was
45 in employment, office, or position for which the hours of work were
46 fewer per week than those required for membership and payment of
47 contributions pursuant to subsection d. of section 7 of P.L.1954,
48 c.84 (C.43:15A-7) after the effective date of P.L. , c. (pending

1 before the Legislature as this bill) shall be credited, unless the
2 member shall have been in that employment, office, or position
3 since that effective date continuously without a break in active
4 service. In the case of a veteran member credit shall be given for
5 service rendered prior to January 2, 1955, in an employment, office
6 or position if the annual salary or remuneration therefor was fixed
7 at not less than \$300.00 and such service consisted of the
8 performance of the full duties of the employment, office or position.
9 (cf: P.L.2007, c.103, s.18)

10
11 5. Section 65 of P.L.1954, c.84 (C.43:15A-65) is amended to
12 read as follows:

13 65. (a) All employees of any public agency or organization of
14 this State, which employs persons engaged in service to the public,
15 shall be eligible to participate in the Public Employees' Retirement
16 System; provided the employer consents thereto by resolution and
17 files a certified copy of such resolution with the board of trustees of
18 the Public Employees' Retirement System and the board of trustees
19 approves thereof by resolution. Such organization shall be referred
20 to in this act as the employer. If the participation of such
21 employees is so approved then the employer shall contribute to the
22 contingent reserve fund on account of its members at the same rate
23 per centum as would be paid by employers other than the State.

24 (b) Notwithstanding the provisions of subsection (a) of this
25 section, every person becoming an employee of a public agency or
26 organization of this State, which employs persons engaged in
27 service to the public, after June 30, 1966, who is not eligible to
28 become a member of any other retirement system, shall be required
29 to participate in the Public Employees' Retirement System.
30 Notwithstanding the provisions of subsection (a) of this section,
31 membership in the Public Employees' Retirement System shall be
32 optional with any person in the employ of any such public agency
33 or organization on June 30, 1966, provided such person is not
34 required to be a member pursuant to another provision of this act,
35 and provided further that such person is not eligible to be a member
36 of any other retirement system. The provisions of this subsection
37 shall not apply to any person whose position is temporary or
38 seasonal, nor, before or on the effective date of P.L. , c. (pending
39 before the Legislature as this bill), to any person in office, position
40 or employment for which the annual salary or remuneration is fixed
41 at less than \$1,500.00, nor to any person whose position is not
42 covered by the old-age and survivors' insurance provisions of the
43 federal Social Security Act. After the effective date of P.L. ,
44 c. (pending before the Legislature as this bill), the provisions of
45 this subsection shall not apply to any person in office, position or
46 employment for which the hours of work are fewer per week than
47 those required for membership and payment of contributions
48 pursuant to subsection d. of section 7 of P.L.1954, c.84 (C.43:15A-

1 7), unless the person shall have been in that employment, office, or
2 position since that effective date continuously without a break in
3 active service. The public agency or organization employing any
4 such person who becomes a member of the retirement system
5 pursuant to this subsection shall contribute to the contingent reserve
6 fund on account of such employees at the same rate per centum as
7 would be paid by employers other than the State.

8 (cf: P.L.1986, c.139, s.3)

9

10 6. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
11 read as follows:

12 75. (a) If this act is so adopted it shall become effective in the
13 county or municipality adopting it on June 30 of the following year.
14 Membership in the Public Employees' Retirement System shall be
15 optional with the employees of the county, board of education or
16 municipality in the service on the day the act becomes effective or
17 on June 30, 1966, whichever is earlier, in such county, board of
18 education or municipality except in the case of public employee
19 veterans who on such date are members. An employee who elects
20 to become a member within one year after this act so takes effect
21 shall be entitled to prior service covering service rendered to the
22 county, board of education or municipality prior to July 1, 1966 or
23 prior to the date this act so becomes effective, whichever is earlier.
24 Membership shall be compulsory for all employees entering the
25 service of the county, board of education or municipality on July 1,
26 1966 or after the date this act becomes effective, whichever is
27 earlier. Where any such employee entering the service of the
28 county, board of education or municipality after the date this act so
29 becomes effective has had prior service for which evidence
30 satisfactory to the retirement system is presented, as an employee in
31 such county, board of education or municipality before the date
32 upon which this act so becomes effective, or July 1, 1966,
33 whichever is earlier, such employee shall be entitled to prior service
34 covering service rendered to the county, board of education or
35 municipality prior to the date this act so becomes effective, or July
36 1, 1966, whichever is earlier.

37 (b) Notwithstanding the provisions of section 74 of this act and
38 subsection (a) of this section, every person, other than a non-veteran
39 elected official, becoming an employee of a county, board of
40 education, municipality or school district after June 30, 1966, who
41 is not eligible to become a member of another retirement system,
42 shall be required to become a member of the Public Employees'
43 Retirement System. Notwithstanding the provisions of section 74
44 of this act and subsection (a) of this section, membership in the
45 retirement system shall be optional with any elected official who is
46 not a veteran, regardless of the date he assumes office, and with any
47 other person in the employ of any county, board of education,
48 municipality or school district on June 30, 1966, provided such

1 elected official or other person is not then a member and is not
2 required to be a member of the retirement system pursuant to
3 another provision of this act, and provided further that such person
4 is not eligible to be a member of another retirement system.
5 Elected officials commencing service on or after the effective date
6 of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through
7 C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-
8 135) shall not be eligible for membership in the retirement system
9 based on service in the elective public office, except that an elected
10 official enrolled in the retirement system as of that effective date
11 who continues to hold that elective public office without a break in
12 service shall be eligible to continue membership in the retirement
13 system under the terms and conditions of enrollment.

14 The provisions of this subsection shall not apply to any person
15 whose position is temporary or seasonal, nor, before or on the
16 effective date of P.L. , c. (pending before the Legislature as this
17 bill), to any person in office, position or employment for which the
18 annual salary or remuneration is fixed at less than \$1,500.00, nor to
19 any person whose position is not covered by the old age and
20 survivors' insurance provisions of the federal Social Security Act.
21 After the effective date of P.L. , c. (pending before the
22 Legislature as this bill), the provisions of this subsection shall not
23 apply to any person in office, position or employment for which the
24 hours of work are fewer per week than those required for
25 membership and payment of contributions pursuant to subsection d.
26 of section 7 of P.L.1954, c.84 (C.43:15A-7), unless the person shall
27 have been in that employment, office, or position since that
28 effective date continuously without a break in active service. No
29 credit shall be allowed to any person becoming a member of the
30 retirement system pursuant to this subsection for service rendered to
31 the employer prior to July 1, 1966, until the provisions of section 74
32 of this act have been complied with, in which event such credit
33 shall be allowed in accordance with the provisions of subsection (a)
34 of this section; except that the governing body of any county, board
35 of education or municipality may, by resolution, consent to the
36 allowance of such credit and file a certified copy of such resolution
37 with the board of trustees of the Public Employees' Retirement
38 System.

39 (cf: P.L.2007, c.92, s.18)

40

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

43 2. a. The following persons shall be eligible and shall
44 participate in the Defined Contribution Retirement Program:

45 (1) A person who commences service on or after the effective
46 date of this section of P.L.2007, c.92 (C.43:15C-1 et al.) in an
47 elective public office of this State or of a political subdivision
48 thereof, except that it shall not include a person who holds elective

1 public office on the effective date of this section and is enrolled in
2 the Public Employees' Retirement System while that person
3 continues to hold that elective public office without a break in
4 service. Service in the Legislature shall be considered a single
5 elective public office.

6 (2) A person who commences service on or after the effective
7 date of this section in an employment, office or position of the State
8 or of a political subdivision thereof, or an agency, board,
9 commission, authority or instrumentality of the State or of a
10 subdivision, pursuant to an appointment by the Governor that
11 requires the advice and consent of the Senate, or pursuant to an
12 appointment by the Governor to serve at the pleasure of the
13 Governor only during his or her term of office. This paragraph shall
14 not be deemed to include a person otherwise eligible for
15 membership in the State Police Retirement System or the Judicial
16 Retirement System.

17 (3) A person who commences service on or after the effective
18 date of this section in an employment, office or position in a
19 political subdivision of the State, or an agency, board, commission,
20 authority or instrumentality of a subdivision, pursuant to an
21 appointment by an elected public official or elected governing
22 body, that requires the specific consent or approval of the elected
23 governing body of the political subdivision that is substantially
24 similar in nature to the advice and consent of the Senate for
25 appointments by the Governor of the State as that similarity is
26 determined by the elected governing body and set forth in an
27 adopted ordinance or resolution, pursuant to guidelines or policy
28 that shall be established by the Local Finance Board in the
29 Department of Community Affairs or the Department of Education,
30 as appropriate to the elected governing body. This paragraph shall
31 not be deemed to include a person otherwise eligible for
32 membership in the Teachers' Pension and Annuity Fund or the
33 Police and Firemen's Retirement System, or a person who is
34 employed or appointed in the regular or normal course of
35 employment or appointment procedures and consented to or
36 approved in a general or routine manner appropriate for and
37 followed by the political subdivision, or the agency, board,
38 commission, authority or instrumentality of a subdivision, or a
39 person who holds a professional license or certificate to perform
40 and is performing as a certified health officer, tax assessor, tax
41 collector, municipal planner, chief financial officer, registered
42 municipal clerk, construction code official, licensed uniform
43 subcode inspector, qualified purchasing agent, or certified public
44 works manager.

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

1 (5) A member of the Teachers' Pension and Annuity Fund or the
2 Public Employees' Retirement System for whom compensation is
3 defined as the amount of base or contractual salary equivalent to the
4 annual maximum wage contribution base for Social Security,
5 pursuant to the Federal Insurance Contributions Act, for
6 contribution and benefit purposes in either of those retirement
7 systems, for whom participation in this retirement program shall be
8 with regard to any excess over the maximum compensation only.

9 (6) A person in employment, office or position for which the
10 hours of work are fewer per week than those required to become a
11 member of the Teachers' Pension and Annuity Fund or the Public
12 Employees' Retirement System, or to make contributions to those
13 systems as a member on the basis of any such employment, office
14 or position, after the effective date of P.L. , c. (pending before
15 the Legislature as this bill).

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

19 (1) the base salary for that employment, office, or position is
20 less than ~~[\$1,500]~~ \$5,000 per year;

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

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

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

36 c. **[A person eligible and required to participate in the**
37 **retirement program whose base salary is less than \$5,000 may at the**
38 **commencement of service in an employment, office or position**
39 **irrevocably elect to waive participation with regard to that**
40 **employment, office, or position by filing, at the time and on a form**
41 **required by the division, a written waiver with the Division of**
42 **Pensions and Benefits that waives all rights and benefits that would**
43 **otherwise be provided by the retirement program.]**

44 A person eligible and required to participate in the retirement
45 program pursuant to paragraph (5) of subsection a. of this section
46 may elect to waive participation with regard to that employment,
47 office, or position by filing, when first eligible, on a form required
48 by the division, a written waiver with the Division of Pensions and

1 Benefits that waives all rights and benefits that would otherwise be
2 provided by the retirement program. Such a person may thereafter
3 elect to participate in the retirement program by filing, on a form
4 required by the division, a written election to participate in the
5 retirement program and participation in the retirement program
6 pursuant to such election shall commence on the January 1 next
7 following the filing of the election to participate.

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

14 (cf: P.L.2007, c.103, s.12)

15

16 8. This act shall take effect immediately.

17

18

19

STATEMENT

20

21 This bill changes the eligibility criteria for becoming a member
22 and for accruing service credit as a member of the Teachers'
23 Pension and Annuity Fund (TPAF) and of the Public Employees'
24 Retirement System (PERS). It shifts the basis for membership from
25 the amount of compensation to the number of hours worked weekly.
26 Currently, the applicable minimum annual compensation criteria are
27 \$500 and \$1,500 for TPAF and PERS, respectively.

28 The bill provides that, after the effective date of the bill, any
29 person in public employment, office or position with the State, or
30 an agency, board, commission, authority or instrumentality of the
31 State, for which the hours of work are fixed at fewer than 35 per
32 week is ineligible to become a TPAF or PERS member and, if
33 already a member, is ineligible to make contributions to the relevant
34 system on the basis of any such employment, office or position,
35 unless the person has been in the employment, office or position
36 continuously since that effective date without a break in active
37 service. After the bill's effective date, any person in part-time
38 public employment, office or positions with of a political
39 subdivision of the State, or an agency, board commission, authority
40 or instrumentality of a political subdivision of the State, for which
41 the hours of work are fixed by an ordinance or resolution of the
42 political subdivision, or any of its agencies, boards, commissions,
43 authorities or instrumentalities, at fewer than 30 per week will be
44 ineligible to become a member of TPAF or PERS and will not be
45 able to make contributions to the system as a member on the basis
46 of any such employment, office or position commencing after any
47 break in active service.

S1962 BUONO, T. KEAN

14

1 Under the bill, persons ineligible for TPAF or PERS based on
2 employment, office or position for which the hours of work are
3 fewer per week than required for membership and service credit
4 may be eligible for enrollment in the Defined Contribution
5 Retirement Program. The bill also changes the annual base salary
6 required for eligibility to enroll in the Defined Contribution
7 Retirement Program from \$1,500 to \$5,000.

SENATE, No. 1964

STATE OF NEW JERSEY

213th LEGISLATURE

INTRODUCED JUNE 9, 2008

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Salem, Cumberland and Gloucester)

Senator KEVIN J. O'TOOLE

District 40 (Bergen, Essex and Passaic)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Changes prospectively definition of compensation used to calculate benefits in PERS and TPAF to average of five highest-paid years, with compensation for veterans defined as average of three highest-paid years.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/13/2008)

1 AN ACT concerning the definition of compensation used to
2 calculate benefits in two State-administered retirement systems,
3 and amending various parts of the statutory law.

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

7
8 1. N.J.S.18A:66-2 is amended to read as follows:

9 18A:66-2. As used in this article:

10 a. "Accumulated deductions" means the sum of all the
11 amounts, deducted from the compensation of a member or
12 contributed by or in behalf of the member, including interest
13 credited to January 1, 1956, standing to the credit of the member's
14 individual account in the annuity savings fund.

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

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

19 d. (1) "Compensation" means the contractual salary, for services
20 as a teacher as defined in this article, which is in accordance with
21 established salary policies of the member's employer for all
22 employees in the same position but shall not include individual
23 salary adjustments which are granted primarily in anticipation of
24 the member's retirement or additional remuneration for performing
25 temporary or extracurricular duties beyond the regular school day or
26 the regular school year.

27 (2) In the case of a person who becomes a member of the
28 retirement system on or after July 1, 2007, "compensation" means
29 the amount of the contractual salary equivalent to the annual
30 maximum wage contribution base for Social Security, pursuant to
31 the Federal Insurance Contributions Act, for services as a teacher as
32 defined in this article, which is in accordance with established
33 salary policies of the member's employer for all employees in the
34 same position but shall not include individual salary adjustments
35 which are granted primarily in anticipation of the member's
36 retirement or additional remuneration for performing temporary or
37 extracurricular duties beyond the regular school day or the regular
38 school year. This paragraph shall not apply to a person who at the
39 time of enrollment in the retirement system on or after July 1, 2007
40 transfers service credit from another State-administered retirement
41 system pursuant to N.J.S.18A:66-15.1, but shall apply to a former
42 member of the retirement system who has been granted a retirement
43 allowance and is reenrolled in the retirement system on or after July
44 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming employed

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

Matter underlined thus is new matter.

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

3 e. "Employer" means the State, the board of education or any
4 educational institution or agency of or within the State by which a
5 teacher is paid.

6 f. "Final compensation" means: in the case of a person who is
7 a member of the retirement system on the effective date of P.L. ,
8 c. (pending before the Legislature as this bill), the average annual
9 compensation for which contributions are made for the three years
10 of creditable service in New Jersey immediately preceding the
11 member's retirement or death, or it shall mean the average annual
12 compensation for New Jersey service for which contributions are
13 made during any three fiscal years of his or her membership
14 providing the largest possible benefit to the member or the
15 member's beneficiary; and in the case of a person who becomes a
16 member after the effective date of P.L. , c. (pending before the
17 Legislature as this bill), the average annual compensation for which
18 contributions are made for the five years of creditable service in
19 New Jersey immediately preceding the member's retirement or
20 death, or it shall mean the average annual compensation for New
21 Jersey service for which contributions are made during any five
22 fiscal years of his or her membership providing the largest possible
23 benefit to the member or the member's beneficiary.

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

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

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

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

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

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

45 m. "Regular interest" shall mean interest as determined by the
46 State Treasurer, after consultation with the Directors of the
47 Divisions of Investment and Pensions, the board of trustees and the
48 actuary. It shall bear a reasonable relationship to the percentage rate

1 of earnings on investments based on the market value of assets but
2 shall not exceed the assumed percentage rate of increase applied to
3 salaries plus 3%, provided however that the board of trustees shall
4 not set the average percentage rate of increase applied to salaries
5 below 6%.

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

7 o. "School service" means any service as a "teacher" as defined
8 in this section.

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

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

41 r. "Veteran" means any honorably discharged officer, soldier,
42 sailor, airman, marine or nurse who served in any Army, Air Force
43 or Navy of the Allies of the United States in World War I between
44 July 14, 1914, and November 11, 1918, or who served in any Army,
45 Air Force or Navy of the Allies of the United States in World War
46 II, between September 1, 1939, and September 2, 1945, and who
47 was inducted into such service through voluntary enlistment, and
48 was a citizen of the United States at the time of such enlistment, and

1 who did not, during or by reason of such service, renounce or lose
2 United States citizenship, and any officer, soldier, sailor, marine,
3 airman, nurse or army field clerk who has served in the active
4 military or naval service of the United States and has or shall be
5 discharged or released therefrom under conditions other than
6 dishonorable, in any of the following wars, uprisings, insurrections,
7 expeditions or emergencies, and who has presented to the retirement
8 system evidence of such record of service in form and content
9 satisfactory to said retirement system:

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

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

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

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

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

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

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

26 (8) The Mexican border patrol, having actually participated in
27 engagements against Mexicans between April 12, 1911, and June
28 16, 1919;

29 (9) World War I, between April 6, 1917, and November 11,
30 1918;

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

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

1 academies, any part of which 90 days was served between said
2 dates; provided that any person receiving an actual service-incurred
3 injury or disability shall be classed as a veteran, whether or not that
4 person has completed the 90-day service as herein provided; and
5 provided further that any member classed as a veteran pursuant to
6 this subsection prior to August 1, 1966, shall continue to be classed
7 as a veteran, whether or not that person completed the 90-day
8 service between said dates as herein provided;

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

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

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

46 (15) Grenada peacekeeping mission, on or after October 23,
47 1983, who has served in Grenada or on board any ship actively
48 engaged in patrolling the territorial waters of that nation for a

1 period, continuous or in the aggregate, of at least 14 days
2 commencing on or before November 21, 1983 or the date of
3 termination of that mission, as proclaimed by the President of the
4 United States or Congress, whichever date of termination is the
5 latest, in such active service; provided, that any person receiving an
6 actual service-incurred injury or disability shall be classed as a
7 veteran whether or not that person has completed the 14 days'
8 service as herein provided;

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

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

35 (18) Operation Northern Watch and Operation Southern Watch,
36 on or after August 27, 1992, or the date of inception of that
37 operation, as proclaimed by the President of the United States,
38 Congress or United States Secretary of Defense, whichever date of
39 inception is earliest, who served in the theater of operation,
40 including in the Arabian peninsula and the Persian Gulf, and in
41 direct support of that operation for a period, continuously or in the
42 aggregate, of at least 14 days in such active service, commencing on
43 or before the date of termination of the operation, as proclaimed by
44 the President of the United States, Congress or United States
45 Secretary of Defense, whichever date of termination is latest;
46 provided, that any person receiving an actual service-incurred injury
47 or disability while engaged in such service shall be classed as a

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

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

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

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

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

46 "Veteran" also means any honorably discharged member of the
47 American Merchant Marine who served during World War II and is

1 declared by the United States Department of Defense to be eligible
2 for federal veterans' benefits.

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

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

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

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

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

1 subsequent to the member's death. In the event of the payment of an
2 accidental death benefit, the five-year qualification shall be waived.

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

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

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

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

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

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

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

37 (cf: P.L.2007, c.103, s.9)

38

39 2. N.J.S.18A:66-71 is amended to read as follows:

40 18A:66-71. a. Any public employee veteran member in office,
41 position or employment of this State or of a county, municipality, or
42 school district, board of education or other employer who (1) has or
43 shall have attained the age of 60 years and has or shall have been
44 for 20 years continuously or in the aggregate in office, position or
45 employment of this State or of a county, municipality or school
46 district, board of education or other employer, or (2) has or shall
47 have attained the age of 55 years and has or shall have been for 25
48 years continuously or in the aggregate in that office, position or

1 employment, shall have the privilege of retiring for service and of
2 receiving, instead of the retirement allowance provided under
3 N.J.S.18A:66-44, a retirement allowance of 54.5% of the
4 compensation for which contributions are made during the 12-
5 month period of membership providing the largest possible benefit
6 to the member or the member's beneficiary if the member is a
7 member of the retirement system on the effective date of P.L. , c.
8 (pending before the Legislature as this bill); but such a veteran
9 member who becomes a member of the retirement system after that
10 effective date shall have the privilege of retiring for service and of
11 receiving, instead of the retirement allowance provided under
12 N.J.S.18A:66-44, a retirement allowance of 54.5% of the average
13 annual compensation for which contributions are made during the
14 36-month period of membership providing the largest possible
15 benefit to the member or the member's beneficiary.

16 b. (Deleted by amendment, P.L.1984, c.69.)

17 c. Any public employee veteran member who has been for 20
18 years in the aggregate in office, position or employment of this
19 State or of a county, municipality or school district, board of
20 education or other employer as of January 1, 1955, shall have the
21 privilege of retiring for ordinary disability and of receiving, instead
22 of the retirement allowance provided under N.J.S.18A:66-41, a
23 retirement allowance of one-half of the compensation received
24 during the last year of employment upon which contributions to the
25 annuity savings fund or contingent reserve fund are made. Such
26 retirement shall be subject to the provisions governing ordinary
27 disability retirement in N.J.S.18A:66-39 and N.J.S.18A:66-40.

28 d. Any public employee veteran member who shall be in office,
29 position or employment of this State or of a county, municipality,
30 school district, board of education or other employer and who shall
31 have attained 55 years of age and who has at least 35 years of
32 aggregate service credit in such office, position or employment,
33 shall have the privilege of retiring for service and receiving a
34 retirement allowance of 1/55 of the compensation the member
35 received during the 12-month period of membership providing the
36 largest possible benefit to the member or the member's beneficiary
37 for each year of creditable service if the member is a member of the
38 retirement system on the effective date of P.L. , c. (pending
39 before the Legislature as this bill); but such a veteran member who
40 becomes a member of the retirement system after that effective date
41 shall have the privilege of retiring for service and receiving a
42 retirement allowance of 1/55 of the average annual compensation
43 the member received during the 36-month period of membership
44 providing the largest possible benefit to the member or the
45 member's beneficiary for each year of creditable service.

46 e. The death benefit provided in N.J.S.18A:66-44 shall apply in
47 the case of any member retiring under the provisions of subsections
48 a. and d. of this section and in the case of any member who has

1 previously retired under the provisions of subsection b. of this
2 section before said subsection was amended by P.L.1984, c.69. The
3 death benefit provided in N.J.S.18A:66-41 shall apply in the case of
4 any member retired under the provisions of subsection c. of this
5 section.

6 f. A member who purchases service credit pursuant to any
7 provision of the "Teachers' Pension and Annuity Fund Law"
8 (N.J.S.18A:66-1 et seq.) is entitled to apply the credit for the
9 purpose of satisfying any of the service requirements of that act.
10 (cf: P.L.2004, c.177, s.1)

11

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

14 6. As used in this act:

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

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

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

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

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

35 f. "Parent" shall mean the parent of a member who was
36 receiving at least 1/2 of the parent's support from the member in the
37 12-month period immediately preceding the member's death or the
38 accident which was the direct cause of the member's death. The
39 dependency of such a parent will be considered terminated by
40 marriage of the parent subsequent to the death of the member.

41 g. (1) "Widower," for employees of the State, means the man to
42 whom a member was married, or a domestic partner as defined in
43 section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before
44 the date of her death and to whom she continued to be married or a
45 domestic partner until the date of her death and who was receiving
46 at least 1/2 of his support from the member in the 12-month period
47 immediately preceding the member's death or the accident which
48 was the direct cause of the member's death. The dependency of such

1 a widower will be considered terminated by marriage of, or
2 establishment of a domestic partnership by, the widower subsequent
3 to the death of the member. In the event of the payment of an
4 accidental death benefit, the five-year qualification shall be waived.

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

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

21 h. "Final compensation" means: in the case of a person who is
22 a member of the retirement system on the effective date of P.L. _____,
23 c. _____ (pending before the Legislature as this bill), the average annual
24 compensation for which contributions are made for the three years
25 of creditable service in New Jersey immediately preceding the
26 member's retirement or death, or it shall mean the average annual
27 compensation for New Jersey service for which contributions are
28 made during any three fiscal years of his or her membership
29 providing the largest possible benefit to the member or the
30 member's beneficiary; and in the case of a person who becomes a
31 member after the effective date of P.L. _____, c. _____ (pending before the
32 Legislature as this bill), the average annual compensation for which
33 contributions are made for the five years of creditable service in
34 New Jersey immediately preceding the member's retirement or
35 death, or it shall mean the average annual compensation for New
36 Jersey service for which contributions are made during any five
37 fiscal years of his or her membership providing the largest possible
38 benefit to the member or the member's beneficiary.

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

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

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

45 l. "Pension reserve" means the present value of all payments to
46 be made on account of any pension or benefit in lieu of a pension
47 granted under the provisions of this act, computed on the basis of

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

3 m. "Public Employees' Retirement System of New Jersey,"
4 hereinafter referred to as the "retirement system" or "system," is the
5 corporate name of the arrangement for the payment of retirement
6 allowances and other benefits under the provisions of this act
7 including the several funds placed under said system. By that name
8 all of its business shall be transacted, its funds invested, warrants
9 for money drawn, and payments made and all of its cash and
10 securities and other property held.

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

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

21 p. "Veteran" means any honorably discharged officer, soldier,
22 sailor, airman, marine or nurse who served in any Army, Air Force
23 or Navy of the Allies of the United States in World War I, between
24 July 14, 1914, and November 11, 1918, or who served in any Army,
25 Air Force or Navy of the Allies of the United States in World War
26 II, between September 1, 1939, and September 2, 1945, and who
27 was inducted into such service through voluntary enlistment, and
28 was a citizen of the United States at the time of such enlistment, and
29 who did not, during or by reason of such service, renounce or lose
30 United States citizenship, and any officer, soldier, sailor, marine,
31 airman, nurse or army field clerk, who has served in the active
32 military or naval service of the United States and has or shall be
33 discharged or released therefrom under conditions other than
34 dishonorable, in any of the following wars, uprisings, insurrections,
35 expeditions, or emergencies, and who has presented to the
36 retirement system evidence of such record of service in form and
37 content satisfactory to said retirement system:

38 (1) The Indian wars and uprisings during any of the periods
39 recognized by the War Department of the United States as periods
40 of active hostility;

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

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

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

- 1 (5) The army of Cuban occupation between July 18, 1898, and
2 May 20, 1902;
- 3 (6) The army of Cuban pacification between October 6, 1906,
4 and April 1, 1909;
- 5 (7) The Mexican punitive expedition between March 14, 1916,
6 and February 7, 1917;
- 7 (8) The Mexican border patrol, having actually participated in
8 engagements against Mexicans between April 12, 1911, and June
9 16, 1919;
- 10 (9) World War I, between April 6, 1917, and November 11,
11 1918;
- 12 (10) World War II, between September 16, 1940, and December
13 31, 1946, who shall have served at least 90 days in such active
14 service, exclusive of any period of assignment (1) for a course of
15 education or training under the Army Specialized Training Program
16 or the Navy College Training Program which course was a
17 continuation of a civilian course and was pursued to completion, or
18 (2) as a cadet or midshipman at one of the service academies any
19 part of which 90 days was served between said dates; provided, that
20 any person receiving an actual service-incurred injury or disability
21 shall be classed as a veteran whether or not that person has
22 completed the 90-day service as herein provided;
- 23 (11) Korean conflict on or after June 23, 1950, and on or prior to
24 January 31, 1955, who shall have served at least 90 days in such
25 active service, exclusive of any period of assignment (1) for a
26 course of education or training under the Army Specialized
27 Training Program or the Navy College Training Program which
28 course was a continuation of a civilian course and was pursued to
29 completion, or (2) as a cadet or midshipman at one of the service
30 academies, any part of which 90 days was served between said
31 dates; provided, that any person receiving an actual service-incurred
32 injury or disability shall be classed as a veteran whether or not that
33 person has completed the 90-day service as herein provided; and
34 provided further, that any member classed as a veteran pursuant to
35 this paragraph prior to August 1, 1966, shall continue to be classed
36 as a veteran whether or not that person completed the 90-day
37 service between said dates as herein provided;
- 38 (12) Lebanon crisis, on or after July 1, 1958, who has served in
39 Lebanon or on board any ship actively engaged in patrolling the
40 territorial waters of that nation for a period, continuous or in the
41 aggregate, of at least 14 days commencing on or before November
42 1, 1958 or the date of termination of that conflict, as proclaimed by
43 the President of the United States or Congress, whichever date of
44 termination is the latest, in such active service; provided, that any
45 person receiving an actual service-incurred injury or disability shall
46 be classed as a veteran whether or not that person has completed the
47 14 days' service as herein provided;

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

17 (14) Lebanon peacekeeping mission, on or after September 26,
18 1982, who has served in Lebanon or on board any ship actively
19 engaged in patrolling the territorial waters of that nation for a
20 period, continuous or in the aggregate, of at least 14 days
21 commencing on or before December 1, 1987 or the date of
22 termination of that mission, as proclaimed by the President of the
23 United States or Congress, whichever date of termination is the
24 latest, in such active service; provided, that any person receiving an
25 actual service-incurred injury or disability shall be classed as a
26 veteran whether or not that person has completed the 14 days'
27 service as herein provided;

28 (15) Grenada peacekeeping mission, on or after October 23,
29 1983, who has served in Grenada or on board any ship actively
30 engaged in patrolling the territorial waters of that nation for a
31 period, continuous or in the aggregate, of at least 14 days
32 commencing on or before November 21, 1983 or the date of
33 termination of that mission, as proclaimed by the President of the
34 United States or Congress, whichever date of termination is the
35 latest, in such active service; provided, that any person receiving an
36 actual service-incurred injury or disability shall be classed as a
37 veteran whether or not that person has completed the 14 days'
38 service as herein provided;

39 (16) Panama peacekeeping mission, on or after December 20,
40 1989 or the date of inception of that mission, as proclaimed by the
41 President of the United States or Congress, whichever date of
42 inception is earliest, who has served in Panama or on board any ship
43 actively engaged in patrolling the territorial waters of that nation for
44 a period, continuous or in the aggregate, of at least 14 days
45 commencing on or before January 31, 1990 or the date of
46 termination of that mission, as proclaimed by the President of the
47 United States or Congress, whichever date of termination is the
48 latest, in such active service; provided, that any person receiving an

1 actual service-incurred injury or disability shall be classed as a
2 veteran whether or not that person has completed the 14 days'
3 service as herein provided;

4 (17) Operation "Desert Shield/Desert Storm" mission in the
5 Arabian peninsula and the Persian Gulf, on or after August 2, 1990
6 or the date of inception of that operation, as proclaimed by the
7 President of the United States or Congress, whichever date of
8 inception is earliest, who has served in the Arabian peninsula or on
9 board any ship actively engaged in patrolling the Persian Gulf for a
10 period, continuous or in the aggregate, of at least 14 days
11 commencing on or before the date of termination of that mission, as
12 proclaimed by the President of the United States or Congress,
13 whichever date of termination is the latest, in such active service;
14 provided, that any person receiving an actual service-incurred injury
15 or disability shall be classed as a veteran whether or not that person
16 has completed the 14 days' service as herein provided;

17 (18) Operation Northern Watch and Operation Southern Watch,
18 on or after August 27, 1992, or the date of inception of that
19 operation, as proclaimed by the President of the United States,
20 Congress or United States Secretary of Defense, whichever date of
21 inception is earliest, who served in the theater of operation,
22 including in the Arabian peninsula and the Persian Gulf, and in
23 direct support of that operation for a period, continuously or in the
24 aggregate, of at least 14 days in such active service, commencing on
25 or before the date of termination of that operation, as proclaimed by
26 the President of the United States, Congress or United States
27 Secretary of Defense, whichever date of termination is the latest;
28 provided, that any person receiving an actual service-incurred injury
29 or disability while engaged in such service shall be classed as a
30 veteran whether or not that person has completed the 14 days'
31 service as herein provided;

32 (19) Operation "Restore Hope" in Somalia, on or after December
33 5, 1992, or the date of inception of that operation as proclaimed by
34 the President of the United States or Congress, whichever date is
35 earliest, who has served in Somalia or on board any ship actively
36 engaged in patrolling the territorial waters of that nation for a
37 period, continuously or in the aggregate, of at least 14 days in such
38 active service commencing on or before March 31, 1994; provided
39 that any person receiving an actual service-incurred injury or
40 disability shall be classed as a veteran whether or not that person
41 has completed the 14-day service as herein provided;

42 (20) Operations "Joint Endeavor" and "Joint Guard" in the
43 Republic of Bosnia and Herzegovina, on or after November 20,
44 1995, who served in such active service in direct support of one or
45 both of the operations for at least 14 days, continuously or in the
46 aggregate, commencing on or before June 20, 1998 and (1) was
47 deployed in that nation or in another area in the region, or (2) was
48 on board a United States naval vessel operating in the Adriatic Sea,

1 or (3) operated in airspace above the Republic of Bosnia and
2 Herzegovina; provided that any person receiving an actual service-
3 incurred injury or disability shall be classed as a veteran whether or
4 not that person completed the 14-day service requirement;

5 (21) Operation "Enduring Freedom", on or after September 11,
6 2001, who served in a theater of operation and in direct support of
7 that operation for a period, continuously or in the aggregate, of at
8 least 14 days in such active service commencing on or before the
9 date the President of the United States or the United States
10 Secretary of Defense designates as the termination date of that
11 operation; provided, that any person receiving an actual service-
12 incurred injury or disability while engaged in such service shall be
13 classed as a veteran whether or not that person has completed the 14
14 days' service as herein provided; and

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

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

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

43 (2) Subject to the provisions of paragraph (3) of this subsection,
44 "widow," for employees of public employers other than the State,
45 means the woman to whom a member was married at least five
46 years before the date of his death and to whom he continued to be
47 married until the date of his death and who was receiving at least
48 1/2 of her support from the member in the 12-month period

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

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

11 r. (1) "Compensation" means the base or contractual salary, for
12 services as an employee, which is in accordance with established
13 salary policies of the member's employer for all employees in the
14 same position but shall not include individual salary adjustments
15 which are granted primarily in anticipation of the member's
16 retirement or additional remuneration for performing temporary or
17 extracurricular duties beyond the regular workday or the regular
18 work year.

19 (2) In the case of a person who becomes a member of the
20 retirement system on or after July 1, 2007, "compensation" means
21 the amount of base or contractual salary equivalent to the annual
22 maximum wage contribution base for Social Security, pursuant to
23 the Federal Insurance Contributions Act, for services as an
24 employee, which is in accordance with established salary policies of
25 the member's employer for all employees in the same position but
26 shall not include individual salary adjustments which are granted
27 primarily in anticipation of the member's retirement or additional
28 remuneration for performing temporary or extracurricular duties
29 beyond the regular workday or the regular work year. This
30 paragraph shall not apply to a person who at the time of enrollment
31 in the retirement system on or after July 1, 2007 transfers service
32 credit from another State-administered retirement system pursuant
33 to section 14 of P.L.1954, c.84 (C.43:15A-14), but shall apply to a
34 former member of the retirement system who has been granted a
35 retirement allowance and is reenrolled in the retirement system on
36 or after July 1, 2007 pursuant to section 27 of P.L.1966, c.217
37 (C.43:15A-57.2) after becoming employed again in a position that
38 makes the person eligible to be a member of the retirement system.

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

42 (cf: P.L.2007, c.103, s.10)

43

44 4. Section 61 of P.L.1954, c.84 (C.43:15A-61) is amended to
45 read as follows:

46 61. a. (Deleted by amendment, P.L.1995, c.332.)

47 b. Any public employee veteran member in office, position or
48 employment of this State or of a county, municipality, public

1 agency, school district or board of education and who (1) shall have
2 attained 60 years of age and who has 20 years of aggregate service
3 credit in such office, position or employment, or (2) shall have
4 attained 55 years of age and who has 25 years of aggregate service
5 credit in such office, position or employment, shall have the
6 privilege of retiring for service and receiving, instead of the
7 retirement allowance provided under section 48 of this act, a
8 retirement allowance of 54.5% of the compensation for which
9 contributions are made during the 12-month period of membership
10 providing the largest possible benefit to the member or the
11 member's beneficiary if the member is a member of the retirement
12 system on the effective date of P.L. , c. (pending before the
13 Legislature as this bill); but such a veteran member who becomes a
14 member of the retirement system after that effective date shall have
15 the privilege of retiring for service and receiving, instead of the
16 retirement allowance provided under section 48, a retirement
17 allowance of 54.5% of the average annual compensation for which
18 contributions are made during the 36-month period of membership
19 providing the largest possible benefit to the member or the
20 member's beneficiary.

21 c. Any public employee veteran member who has been for 20
22 years in the aggregate in office, position or employment of this
23 State or of a county, municipality, public agency, school district or
24 board of education as of January 2, 1955, shall have the privilege of
25 retiring for ordinary disability and of receiving, instead of the
26 retirement allowance provided under section 45 of this act, a
27 retirement allowance of one-half of the compensation received
28 during the last year of employment upon which contributions to the
29 annuity savings fund or contingent reserve fund are made. Such
30 retirement shall be subject to the provisions governing ordinary
31 disability retirement in sections 42 and 44 of this act.

32 d. Any public employee veteran member who shall be in office,
33 position or employment of this State or of a county, municipality,
34 public agency, school district or board of education and who shall
35 have attained 55 years of age and who has at least 35 years of
36 aggregate service credit in such office, position or employment,
37 shall have the privilege of retiring for service and receiving a
38 retirement allowance of 1/55 of the compensation the member
39 received during the 12-month period of membership providing the
40 largest possible benefit to the member or the member's beneficiary
41 for each year of creditable service if the member is a member of the
42 retirement system on the effective date of P.L. , c. (pending
43 before the Legislature as this bill); but such a veteran member who
44 becomes a member of the retirement system after that effective date
45 shall have the privilege of retiring for service and receiving a
46 retirement allowance of 1/55 of the average annual compensation
47 the member received during the 36-month period of membership

1 providing the largest possible benefit to the member or the
2 member's beneficiary for each year of creditable service.

3 e. The death benefit provided in section 48 shall apply in the
4 case of any member retiring under the provisions of subsections a.,
5 b. and d. of this section. The death benefit provided in section 45
6 shall apply in the case of any member retired under the provisions
7 of subsection c. of this section.

8 f. The State shall be liable for any increased cost to local
9 government employers participating in the retirement system as a
10 result of the amendment of this section by P.L.2001, c.353, except
11 as provided in section 16 of P.L.2001, c.353.

12 (cf: P.L.2004, c.177, s.2)

13

14 5. Section 1 of P.L.2001, c.366 (C.43:15A-155) is amended to
15 read as follows:

16 1. As used in this act, P.L.2001, c.366 (C.43:15A-155 et seq.):

17 "Service" includes service as (1) a county prosecutor, first
18 assistant prosecutor or assistant prosecutor as defined in
19 N.J.S.2A:158-1 et seq.; (2) the Director of the Division of Criminal
20 Justice in the Department of Law and Public Safety; (3) an assistant
21 director, deputy director, assistant attorney general or deputy
22 attorney general in that department and assigned to that division
23 pursuant to P.L.1970, c.74 (C.52:17B-97 et seq.); or (4) a criminal
24 investigator in the Division of Criminal Justice in the Department of
25 Law and Public Safety who is not eligible for enrollment in the
26 Police and Firemen's Retirement System, established pursuant to
27 P.L.1944, c.255 (C.43:16A-1 et seq.).

28 "Beneficiary" means any person entitled to receive any benefit
29 pursuant to the provisions of this act by reason of the death of a
30 prosecutor or retirant.

31 "Final compensation" means: in the case of a person who is a
32 member of the Prosecutors Part in the retirement system on the
33 effective date of P.L. , c. (pending before the Legislature as this
34 bill), the annual salary received by the member of the Prosecutors
35 Part at the time of retirement or death; and in the case of a person
36 who becomes a member of the Prosecutors Part in the retirement
37 system after the effective date of P.L. , c. (pending before the
38 Legislature as this bill), the average annual salary for service in the
39 part for which contributions are made during any three fiscal years
40 of membership providing the largest possible benefit to the member
41 or the member's beneficiary.

42 "Retirant" means any former member of the Prosecutors Part
43 receiving a pension or retirement allowance as provided by this act.

44 "Prosecutor" means (1) a county prosecutor, first assistant
45 prosecutor or assistant prosecutor as defined in N.J.S.2A:158-1 et
46 seq.; (2) the Director of the Division of Criminal Justice in the
47 Department of Law and Public Safety; (3) an assistant director,
48 deputy director, assistant attorney general or deputy attorney

1 general in that department and assigned to that division pursuant to
2 P.L.1970, c.74 (C.52:17B-97 et seq.); or (4) a criminal investigator
3 in the Division of Criminal Justice in the Department of Law and
4 Public Safety who is not eligible for enrollment in the Police and
5 Firemen's Retirement System.
6 (cf: P.L.2001, c.366, s.1)

7

8 6. This act shall take effect immediately.

9

10

11

STATEMENT

12

13 This bill revises the definition of compensation to be used to
14 calculate retirement benefits for members of the Public Employees'
15 Retirement System (PERS) and Teachers' Pension and Annuity
16 Fund (TPAF), who commence membership after the date on which
17 the bill is enacted into law, as well as to calculate, in certain cases,
18 pension benefits for surviving family members, when available, and
19 death benefit payments to beneficiaries.

20 The bill provides that a member of the TPAF or PERS who
21 becomes a member of the retirement system after the enactment
22 date, would have the member's retirement allowance calculated
23 using the average annual compensation for the last five years of
24 service or for any five fiscal years of membership providing the
25 largest possible benefit to the member or the member's beneficiary.
26 A person who is a member of the retirement system on the
27 enactment date would continue to have the member's allowance
28 calculated in the manner provided by existing law using the average
29 annual compensation for the last three years of service or for any
30 three fiscal years of membership providing the largest possible
31 benefit to the member or the member's beneficiary. In the case of a
32 member of the Prosecutors Part of the PERS, the allowance for
33 persons who become members after the enactment date would be
34 calculated using the average annual compensation of any three
35 fiscal years of membership providing the largest possible benefit,
36 instead of the compensation in the last year of service as is the case
37 now. The special veterans retirement allowance in the PERS and
38 TPAF would be calculated using the average annual compensation
39 received by the member during the 36-month period of
40 membership, rather than the 12-month period of membership as is
41 the case now, that provides the highest possible benefit.

SENATE, No. 1965

STATE OF NEW JERSEY

213th LEGISLATURE

INTRODUCED JUNE 9, 2008

Sponsored by:

Senator NICHOLAS P. SCUTARI

District 22 (Middlesex, Somerset and Union)

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Middlesex and Monmouth)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Requires that new employees, appointees and elected officials work 35 or more hours per week to be eligible for SHBP benefits; maintains eligibility of persons with current and continuous SHBP coverage.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/13/2008)

S1965 SCUTARI, KYRILLOS

2

1 AN ACT concerning the qualifications for health care benefits
2 coverage under the State Health Benefits Program and amending
3 P.L.1961, c.49.

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

7
8 1. Section 2 of P.L.1961, c.49 (C.52:14-17.26) is amended to
9 read as follows:

10 2. As used in this act:

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

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

14 (c) **[The]** Before the effective date of P.L. , c. (pending
15 before the Legislature as this bill), the term "employee" means an
16 appointive or elective officer or full-time employee of the State of
17 New Jersey. On or after the effective date of P.L. , c. (pending
18 before the Legislature as this bill), the term "employee" means (1) a
19 full-time appointive or elective officer whose hours of work are
20 fixed at 35 or more per week, a full-time employee of the State, or a
21 full-time employee of an employer other than the State whose hours
22 of work are fixed at 35 or more per week, or (2) an appointive or
23 elective officer, an employee of the State, or an employee of an
24 employer other than the State who has health benefits coverage
25 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) on that
26 effective date and continuously thereafter. For the purposes of this
27 act an employee of Rutgers, The State University of New Jersey,
28 shall be deemed to be an employee of the State, and an employee of
29 the New Jersey Institute of Technology shall be considered to be an
30 employee of the State during such time as the Trustees of the
31 Institute are party to a contractual agreement with the State
32 Treasurer for the provision of educational services. The term
33 "employee" shall further mean, for purposes of this act, a former
34 employee of the South Jersey Port Corporation, who is employed by
35 a subsidiary corporation or other corporation, which has been
36 established by the Delaware River Port Authority pursuant to
37 subdivision (m) of Article I of the compact creating the Delaware
38 River Port Authority (R.S.32:3-2), as defined in section 3 of
39 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued
40 membership in the Public Employees' Retirement System pursuant
41 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

42 For the purposes of this act the term "employee" shall not
43 include persons employed on a short-term, seasonal, intermittent or
44 emergency basis, persons compensated on a fee basis, persons
45 having less than two months of continuous service or persons whose

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

Matter underlined thus is new matter.

1 compensation from the State is limited to reimbursement of
2 necessary expenses actually incurred in the discharge of their
3 official duties, provided, however, that the term "employee" shall
4 include persons employed on an intermittent basis to whom the
5 State has agreed to provide coverage under P.L.1961, c.49
6 (C.52:14-17.25 et seq.) in accordance with a binding collective
7 negotiations agreement. An employee paid on a 10-month basis,
8 pursuant to an annual contract, will be deemed to have satisfied the
9 two-month waiting period if the employee begins employment at
10 the beginning of the contract year. The term "employee" shall also
11 not include retired persons who are otherwise eligible for benefits
12 under this act but who, although they meet the age or disability
13 eligibility requirement of Medicare, are not covered by Medicare
14 Hospital Insurance, also known as Medicare Part A, and Medicare
15 Medical Insurance, also known as Medicare Part B. A determination
16 by the commission that a person is an eligible employee within the
17 meaning of this act shall be final and shall be binding on all parties.

18 (d) (1) The term "dependents" means an employee's spouse,
19 partner in a civil union couple or an employee's domestic partner as
20 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the
21 employee's unmarried children under the age of 23 years who live
22 with the employee in a regular parent-child relationship. "Children"
23 shall include stepchildren, legally adopted children and children
24 placed by the Division of Youth and Family Services in the
25 Department of Children and Families, provided they are reported
26 for coverage and are wholly dependent upon the employee for
27 support and maintenance. A spouse, partner in a civil union couple,
28 domestic partner or child enlisting or inducted into military service
29 shall not be considered a dependent during the military service. The
30 term "dependents" shall not include spouses, partners in a civil
31 union couple or domestic partners of retired persons who are
32 otherwise eligible for the benefits under this act but who, although
33 they meet the age or disability eligibility requirement of Medicare,
34 are not covered by Medicare Hospital Insurance, also known as
35 Medicare Part A, and Medicare Medical Insurance, also known as
36 Medicare Part B.

37 (2) Notwithstanding the provisions of paragraph (1) of this
38 subsection to the contrary and subject to the provisions of paragraph
39 (3) of this subsection, for the purposes of an employer other than
40 the State that is participating in the State Health Benefits Program
41 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term
42 "dependents" means an employee's spouse or partner in a civil
43 union couple and the employee's unmarried children under the age
44 of 23 years who live with the employee in a regular parent-child
45 relationship. "Children" shall include stepchildren, legally adopted
46 children and children placed by the Division of Youth and Family
47 Services in the Department of Children and Families provided they
48 are reported for coverage and are wholly dependent upon the

1 employee for support and maintenance. A spouse, partner in a civil
2 union couple or child enlisting or inducted into military service
3 shall not be considered a dependent during the military service. The
4 term "dependents" shall not include spouses or partners in a civil
5 union couple of retired persons who are otherwise eligible for
6 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,
7 although they meet the age or disability eligibility requirement of
8 Medicare, are not covered by Medicare Hospital Insurance, also
9 known as Medicare Part A, and Medicare Medical Insurance, also
10 known as Medicare Part B.

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

17 (e) The term "carrier" means a voluntary association,
18 corporation or other organization, including a health maintenance
19 organization as defined in section 2 of the "Health Maintenance
20 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully
21 engaged in providing or paying for or reimbursing the cost of,
22 personal health services, including hospitalization, medical and
23 surgical services, under insurance policies or contracts, membership
24 or subscription contracts, or the like, in consideration of premiums
25 or other periodic charges payable to the carrier.

26 (f) The term "hospital" means (1) an institution operated
27 pursuant to law which is primarily engaged in providing on its own
28 premises, for compensation from its patients, medical diagnostic
29 and major surgical facilities for the care and treatment of sick and
30 injured persons on an inpatient basis, and which provides such
31 facilities under the supervision of a staff of physicians and with 24
32 hour a day nursing service by registered graduate nurses, or (2) an
33 institution not meeting all of the requirements of (1) but which is
34 accredited as a hospital by the Joint Commission on Accreditation
35 of Hospitals. In no event shall the term "hospital" include a
36 convalescent nursing home or any institution or part thereof which
37 is used principally as a convalescent facility, residential center for
38 the treatment and education of children with mental disorders, rest
39 facility, nursing facility or facility for the aged or for the care of
40 drug addicts or alcoholics.

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

1 plan on a prepayment or reimbursement basis and which may
2 provide for payment or reimbursement for services and supplies
3 obtained outside the network. The plan may be provided on an
4 insured basis through contracts with carriers or on a self-insured
5 basis, and may be operated and administered by the State or by
6 carriers under contracts with the State.

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

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

18 (j) The term "successor plan" means a State managed care plan
19 that shall replace the traditional plan and that shall provide benefits
20 as set forth in subsection (B) of section 5 of P.L.1961, c.49
21 (C.52:14-17.29) with provisions regarding reimbursements and
22 payments as set forth in paragraph (1) of subsection (C) of section 5
23 of P.L.1961, c.49 (C.52:14-17.29).

24 (cf: P.L.2007, c.103, s.19)

25

26 2. This act shall take effect on the first day of the month next
27 following enactment.

28

29

30

STATEMENT

31

32 This bill provides prospectively that in order for an employee,
33 appointee or elected official to be eligible for health care benefits
34 from the State or other public employer participating in the State
35 Health Benefits Program (SHBP), the person must work full time
36 with hours of work fixed at 35 or more per week. An exception to
37 this new requirement is that any employee, appointee or elected
38 official who has health benefits coverage under SHBP on the
39 effective date of the bill and continuously thereafter will remain
40 eligible for those benefits. After any break in SHBP coverage, the
41 full time requirement will apply. Currently, in order to qualify for
42 SHBP coverage, a State employee must work full time but a local
43 employee must work 20 or more hours per week. No such criterion
44 applies to an appointee or elected official.

45 The bill would take effect on the first day of the month next
46 following the date of enactment. The new full-time requirement
47 would not apply to employees of boards of education, who are

S1965 SCUTARI, KYRILLOS

6

- 1 covered under the School Employees' Health Benefits Program
- 2 after July 1, 2008.

SENATE, No. 1969

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED JUNE 9, 2008

Sponsored by:

Senator BARBARA BUONO

District 18 (Middlesex)

Senator CHRISTOPHER "KIP" BATEMAN

District 16 (Morris and Somerset)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Requires member of PERS or TPAF who holds concurrently more than one PERS-covered or TPAF-covered public position to designate one position as basis of membership.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/13/2008)

1 AN ACT concerning membership in the Public Employees'
2 Retirement System and Teachers' Pension and Annuity Fund,
3 and amending P.L.1954, c.84 and N.J.S.18A:66-19 and
4 supplementing P.L.1954, c.84 (C.43:15A-1 et seq.), P.L.1972,
5 c.167 (C.43:15A-135 et seq.), and chapter 66 of Title 18A of the
6 New Jersey Statutes.

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

10
11 1. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
12 as follows:

13 7. There is hereby established the Public Employees'
14 Retirement System of New Jersey in the Division of Pensions and
15 Benefits of the Department of the Treasury. The membership of the
16 retirement system shall include:

17 a. The members of the former "State Employees' Retirement
18 System of New Jersey" enrolled as such as of December 30, 1954,
19 who shall not have claimed for refund their accumulated deductions
20 in said system as provided in this section;

21 b. Any person becoming an employee of the State or other
22 employer after January 2, 1955 and every veteran, other than a
23 retired member who returns to service pursuant to subsection b. of
24 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
25 whose appointments are seasonal, becoming an employee of the
26 State or other employer after such date, including a temporary
27 employee with at least one year's continuous service. The
28 membership of the retirement system shall not include those
29 persons appointed to serve as described in paragraphs (2) and (3) of
30 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), except a
31 person who was a member of the retirement system prior to the
32 effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-
33 1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and
34 C.43:15A-135) and continuously thereafter; and

35 c. Every employee veteran in the employ of the State or other
36 employer on January 2, 1955, who is not a member of any
37 retirement system supported wholly or partly by the State.

38 d. Membership in the retirement system shall be optional for
39 elected officials other than veterans, and for school crossing guards,
40 who having become eligible for benefits under other pension
41 systems are so employed on a part-time basis. Elected officials
42 commencing service on or after the effective date of sections 1
43 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15,
44 C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not
45 be eligible for membership in the retirement system based on

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

Matter underlined thus is new matter.

1 service in the elective public office, except that an elected official
2 enrolled in the retirement system as of that effective date who
3 continues to hold that elective public office without a break in
4 service shall be eligible to continue membership in the retirement
5 system under the terms and conditions of enrollment. Service in the
6 Legislature shall be considered a single elective public office. Any
7 part-time school crossing guard who is eligible for benefits under
8 any other pension system and who was hired as a part-time school
9 crossing guard prior to March 4, 1976, may at any time terminate
10 his membership in the retirement system by making an application
11 in writing to the board of trustees of the retirement system. Upon
12 receiving such application, the board of trustees shall terminate his
13 enrollment in the system and direct the employer to cease accepting
14 contributions from the member or deducting from the compensation
15 paid to the member. State employees who become members of any
16 other retirement system supported wholly or partly by the State as a
17 condition of employment shall not be eligible for membership in
18 this retirement system. Notwithstanding any other law to the
19 contrary, all other persons accepting employment in the service of
20 the State shall be required to enroll in the retirement system as a
21 condition of their employment, regardless of age. No person in
22 employment, office or position, for which the annual salary or
23 remuneration is fixed at less than \$1,500.00, shall be eligible to
24 become a member of the retirement system.

25 e. Membership of any person in the retirement system shall
26 cease if he shall discontinue his service for more than two
27 consecutive years.

28 f. The accumulated deductions of the members of the former
29 "State Employees' Retirement System" which have been set aside in
30 a trust fund designated as Fund A as provided in section 5 of this
31 act and which have not been claimed for refund prior to February 1,
32 1955 shall be transferred from said Fund A to the Annuity Savings
33 Fund of the Retirement System, provided for in section 25 of this
34 act. Each member whose accumulated deductions are so transferred
35 shall receive the same prior service credit, pension credit, and
36 membership credit in the retirement system as he previously had in
37 the former "State Employees' Retirement System" and shall have
38 such accumulated deductions credited to his individual account in
39 the Annuity Savings Fund. Any outstanding obligations of such
40 member shall be continued.

41 g. Any school crossing guard electing to terminate his
42 membership in the retirement system pursuant to subsection d. of
43 this section shall, upon his request, receive a refund of his
44 accumulated deductions as of the date of his appointment to the
45 position of school crossing guard. Such refund of contributions
46 shall serve as a waiver of all benefits payable to the employee, to
47 his dependent or dependents, or to any of his beneficiaries under the
48 retirement system.

1 h. A temporary employee who is employed under the federal
2 Workforce Investment Act shall not be eligible for membership in
3 the system. Membership for temporary employees employed under
4 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.
5 s.1501) who are in the system on September 19, 1986 shall be
6 terminated, and affected employees shall receive a refund of their
7 accumulated deductions as of the date of commencement of
8 employment in a federal Job Training Partnership Act program.
9 Such refund of contributions shall serve as a waiver of all benefits
10 payable to the employee, to his dependent or dependents, or to any
11 of his beneficiaries under the retirement system.

12 i. Membership in the retirement system shall be optional for a
13 special service employee who is employed under the federal Older
14 American Community Service Employment Act, Pub.L.94-135 (42
15 U.S.C. s.3056). Any special service employee employed under the
16 federal Older American Community Service Employment Act,
17 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
18 on the effective date of P.L.1996, c.139 may terminate membership
19 in the retirement system by making an application in writing to the
20 board of trustees of the retirement system. Upon receiving the
21 application, the board shall terminate enrollment in the system and
22 the member shall receive a refund of accumulated deductions as of
23 the date of commencement of employment in a federal Older
24 American Community Service Employment Act program. This
25 refund of contributions shall serve as a waiver of all benefits
26 payable to the employee, to any dependent or dependents, or to any
27 beneficiary under the retirement system.

28 j. An employee of the South Jersey Port Corporation who was
29 employed by the South Jersey Port Corporation as of the effective
30 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
31 employed within 365 days of such effective date by a subsidiary
32 corporation or other corporation, which has been established by the
33 Delaware River Port Authority pursuant to subdivision (m) of
34 Article I of the compact creating the Delaware River Port Authority
35 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
36 146), shall be eligible to continue membership while an employee
37 of such subsidiary or other corporation.

38 k. An elected public official or a member of the Legislature
39 who is eligible to be a member of the retirement system on the basis
40 of a public office, position, or employment with the State or an
41 employer other than the State held concurrently shall be a member
42 of the retirement system on the basis of only: (1) service in the
43 Legislature; (2) service in an elective office; or (3) service in one
44 office, position, or employment, in accordance with section 3 or 4
45 of P.L. , c. (C.)(pending before the Legislature as this bill)
46 as applicable.

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

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

3 25. a. The annuity savings fund shall be the fund in which shall
4 be credited accumulated deductions and contributions by members
5 or on their behalf to provide for their allowances. A single account
6 shall be established in this fund for each person who is or shall
7 become a member and all contributions deducted from each such
8 member's compensation shall be credited to ~~his~~ this single
9 account ~~regardless of the number of positions a member might~~
10 ~~hold or the number of employers as he might have~~. The
11 contributions shall be credited in accordance with the provisions of
12 section 3 of P.L. , c. (C.)(pending before the Legislature as
13 this bill) for applicable members.

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

26 (2) Members enrolled in the retirement system on or after July
27 1, 2007 who are:

28 employees of the State, other than employees of the Judicial
29 Branch;

30 employees of an independent State authority, board, commission,
31 corporation, agency or organization;

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

40 employees of a State public institution of higher education, other
41 than employees of the University of Medicine and Dentistry of New
42 Jersey shall contribute 5.5% of compensation to the system, and all
43 such members described above enrolled in the system prior to July
44 1, 2007 shall contribute 5.5% of compensation to the system
45 effective with the payroll period for which the beginning date is
46 closest to July 1, 2007.

47 Members enrolled in the retirement system on or after July 1,
48 2008, other than those described in the paragraph above, shall

1 contribute 5.5% of compensation to the system. Members enrolled
2 in the system prior to July 1, 2008, other than those described in the
3 paragraph above, shall contribute 5.5% of compensation to the
4 system effective with the payroll period that begins immediately
5 after July 1, 2008.

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

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

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

31 (cf: P.L.2007, c.103, s.2)

32

33 3. (New section) a. A person who is or becomes a member of
34 the Public Employees' Retirement System and becomes employed
35 in more than one office, position, or employment covered by the
36 retirement system or commences service in a covered office,
37 position, or employment with more than one employer shall be
38 eligible for membership in the retirement system based upon only
39 one of the offices, positions, or employments held concurrently.
40 The person shall designate in writing the office, position, or
41 employment upon which membership in the retirement system shall
42 be based by completing and submitting the form required by the
43 Division of Pensions and Benefits within the time period required
44 by the division. Whenever a person fails to make the required
45 designation by submitting the form, the division shall make the
46 designation on behalf of the person by designating the office,
47 position, or employment held for the longest period of time.

1 b. Contributions shall be deducted only from the member's
2 compensation for the office, position, or employment designated
3 pursuant to subsection a. of this section and shall be credited to the
4 member's single account established pursuant to section 25 of
5 P.L.1954, c.84 (C.43:15A-25). The designation by the person or
6 the division of one office, position, or employment upon which
7 membership in the retirement system shall be based shall be
8 irrevocable as between or among the offices, positions, or
9 employments held at the time the designation is made. A member
10 who, after a designation is made, leaves that office, position, or
11 employment, or acquires a different or additional office, position, or
12 employment, may make a new designation, in the manner and
13 within the time required, from among the offices, positions, or
14 employments then held. Service in an office, position, or
15 employment other than the one designated shall not be deemed
16 creditable service for the purposes of the retirement system.

17 c. The provisions of subsection a. of this section shall not
18 apply to a person who, on the effective date of P.L. , c. (pending
19 before the Legislature as this bill), is a member of the retirement
20 system and holds more than one office, position, or employment
21 covered by the retirement system with one or more employers,
22 while the member continues to hold without a break in service more
23 than one of those offices, positions, or employments.

24
25 4. (New section) a. A person holding the office of member of
26 the Legislature who is a member of the Public Employees'
27 Retirement System and becomes employed in one or more offices,
28 positions, or employments covered by the retirement system or
29 commences service in a covered office, position, or employment
30 with one or more employers shall be eligible for membership in the
31 retirement system based upon only service in the legislative office
32 or one of the offices, positions, or employments held concurrently.
33 The member shall designate in writing the office, position, or
34 employment upon which membership in the retirement system shall
35 be based by completing and submitting the form required by the
36 Division of Pensions and Benefits within the time period required
37 by the division. Whenever a member fails to make the required
38 designation by submitting the form, the division shall make the
39 designation on behalf of the member by designating the office,
40 position, or employment held for the longest period of time.

41 b. Contributions shall be deducted only from the member's
42 compensation for the office, position, or employment designated
43 pursuant to subsection a. of this section and shall be credited to the
44 member's single account established pursuant to section 25 of
45 P.L.1954, c.84 (C.43:15A-25) if the member elects to contribute on
46 the basis of the non-legislative office, position, or employment or to
47 the member's legislative account established pursuant to section 2
48 of P.L.1972, c.167 (C.43:15A-136) if the member elects to

1 contribute on the basis of the legislative office. A benefit to which
2 a member may be entitled based upon contributions to either
3 account shall be determined separately. The designation by the
4 person or the division of one office, position, or employment upon
5 which membership in the retirement system shall be based shall be
6 irrevocable as between or among the offices, positions, or
7 employments held at the time the designation is made. A member
8 who, after a designation is made, leaves that office, position, or
9 employment, or acquires a different or additional office, position, or
10 employment, may make a new designation, in the manner and
11 within the time required, from among the offices, positions, or
12 employments then held. Service in an office, position or
13 employment other than the one designated shall not be deemed
14 creditable service for the purposes of the retirement system.

15 Notwithstanding the provisions of subsection a. of section 41 of
16 P.L.1954, c.84 (C.43:15A-41), a member who chooses to be
17 enrolled in the retirement system by virtue of service in the
18 Legislature shall not be required to withdraw the member's
19 contributions in the account established pursuant to section 25 of
20 P.L.1954, c.84 (C.43:15A-25) until two years from the date the
21 member discontinues service in the Legislature.

22 c. The provisions of subsection a. of this section shall not
23 apply to a member of the Legislature who, on the effective date of
24 P.L. , c. (pending before the Legislature as this bill), is a member
25 of the retirement system and holds one or more offices, positions, or
26 employments covered by the retirement system with one or more
27 employers while the member continues to hold without a break in
28 service more than one of those offices, positions or employments.

29

30 5. N.J.S.18A:66-19 is amended to read as follows:

31 18A:66-19. The annuity savings fund shall be the fund in which
32 shall be credited accumulated deductions and contributions by
33 members or on their behalf to provide for their allowances.

34 A single account shall be established in this fund for each person
35 who is or shall become a member and all contributions deducted
36 from each such member's compensation shall be credited to **[his]**
37 this single account [regardless of the number of positions a member
38 might hold or the number of employers he might have]. The
39 contributions shall be credited in accordance with the provisions of
40 section 6 of P.L. , c. (C.)(pending before the Legislature as
41 this bill) for applicable members.

42 (cf: P.L.1971, c.121, s.9)

43

44 6. (New section) a. A person who is or becomes a member of
45 the Teachers' Pension and Annuity Fund and becomes employed in
46 more than one office, position, or employment covered by the
47 retirement system or commences service in a covered office,
48 position, or employment with more than one employer shall be

1 eligible for membership in the retirement system based upon only
2 one of the offices, positions, or employments held concurrently.
3 The person shall designate in writing the office, position, or
4 employment upon which membership in the retirement system shall
5 be based by completing and submitting the form required by the
6 Division of Pensions and Benefits within the time period required
7 by the division. Whenever a person fails to make the required
8 designation by submitting the form, the division shall make the
9 designation on behalf of the person by designating the office,
10 position, or employment held for the longest period of time.

11 b. Contributions shall be deducted only from the member's
12 compensation for the office, position, or employment designated
13 pursuant to subsection a. of this section and shall be credited to the
14 member's single account established pursuant to N.J.S.18A:66-19.
15 The designation by the person or the division of one office,
16 position, or employment upon which membership in the retirement
17 system shall be based shall be irrevocable as between or among the
18 offices, positions, or employments held at the time the designation
19 is made. A member who, after a designation is made, leaves that
20 office, position, or employment, or acquires a different or additional
21 office, position, or employment, may make a new designation, in
22 the manner and within the time required, from among the offices,
23 positions, or employments then held. Service in an office, position,
24 or employment other than the one designated shall not be deemed
25 creditable service for the purposes of the retirement system.

26 c. The provisions of subsection a. of this section shall not
27 apply to a person who, on the effective date of P.L. , c. (pending
28 before the Legislature as this bill), is a member of the retirement
29 system and holds more than one office, position, or employment
30 covered by the retirement system with one or more employers,
31 while the member continues to hold without a break in service more
32 than one of those offices, positions, or employments.

33

34 7. This act shall take effect immediately.

35

36

37

STATEMENT

38

39 For the purposes of the Public Employees' Retirement System
40 and the Teachers' Pension and Annuity Fund, this bill requires a
41 person who is eligible for membership in the retirement system
42 based on service in two or more public positions held concurrently
43 to designate only one position as the basis of membership in the
44 retirement system. The bill's provisions would not apply to any
45 person who, on the bill's effective date, is a member of the
46 retirement system and holds two or more public positions covered
47 by the retirement system while the member continues to hold those
48 positions without a break in service.

1 At present, a member holding multiple covered positions makes
2 contributions to the retirement system for each position and the
3 member's retirement benefit is calculated using the combined
4 salaries of the positions held.

5 Under the bill, contributions would be deducted only from the
6 member's compensation for the position designated and for the
7 purpose of calculating the member's retirement benefit, only that
8 compensation would be considered. Service in a position other than
9 the one designated will not be deemed creditable service for the
10 purposes of the retirement system.

11 The bill provides for the manner and timing of the designation
12 and requires that, once a designation is made, it will be irrevocable
13 as between or among the positions held at the time the designation
14 is made. Whenever a member fails to make the required
15 designation, the Division of Pensions and Benefits will make the
16 designation on behalf of the member by designating the position
17 held for the longest period of time.

18 The provisions of this bill would have no detrimental impact on
19 the purposes and benefits of, or the personnel covered by, shared
20 services agreements entered into between and among local units of
21 government in this State because such agreements provide for the
22 shared personnel to hold employment status for the purposes of
23 compensation and retirement system membership with one unit that
24 is party to the agreement as the employer.

SENATE, No. 2077

STATE OF NEW JERSEY
213th LEGISLATURE

INTRODUCED JUNE 19, 2008

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Salem, Cumberland and Gloucester)

SYNOPSIS

Reduces number of paid holidays from 13 to 12 for all State and local government employees.

CURRENT VERSION OF TEXT

As introduced.



S2077 SWEENEY

2

1 AN ACT concerning paid holidays for State and local government
2 employees and amending and supplementing various parts of the
3 statutory law.

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

7
8 1. (New section) a. Paid holidays granted to all State and
9 political subdivision employees each calendar year shall be limited
10 to the following:

11 (1) January 1, known as New Year's Day;

12 (2) the third Monday in January, known as Martin Luther King's
13 Birthday;

14 (3) the third Monday in February, known as Washington's
15 Birthday, which shall be known and celebrated as Washington and
16 Lincoln day in this State;

17 (4) the day designated and known as Good Friday;

18 (5) the last Monday in May, known as Memorial Day;

19 (6) July 4, known as Independence Day;

20 (7) the first Monday in September, known as Labor Day;

21 (8) the second Monday in October, known as Columbus Day;

22 (9) November 11, known as Armistice Day or Veterans' Day;

23 (10) the fourth Thursday in November, known as Thanksgiving
24 Day;

25 (11) December 25, known as Christmas Day; and

26 (12) any general election day in this State.

27 b. The provisions of this section shall not impair any collective
28 bargaining agreement or contract in effect on the effective date of
29 P.L. , c. (pending before the Legislature as this bill).

30
31 2. (New section) a. Paid holidays granted each calendar year to
32 all employees of a county or municipality that has not adopted the
33 provisions of Title 11A of the New Jersey Statutes (Civil Service)
34 shall be limited to the following:

35 (1) January 1, known as New Year's Day;

36 (2) the third Monday in January, known as Martin Luther King's
37 Birthday;

38 (3) the third Monday in February, known as Washington's
39 Birthday, which shall be known and celebrated as Washington and
40 Lincoln day in this State;

41 (4) the day designated and known as Good Friday;

42 (5) the last Monday in May, known as Memorial Day;

43 (6) July 4, known as Independence Day;

44 (7) the first Monday in September, known as Labor Day;

45 (8) the second Monday in October, known as Columbus Day;

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.

S2077 SWEENEY

- 1 (9) November 11, known as Armistice Day or Veterans' Day;
2 (10) the fourth Thursday in November, known as Thanksgiving
3 Day;
4 (11) December 25, known as Christmas Day; and
5 (12) any general election day in this State.

6 b. The provisions of this section shall not impair any collective
7 bargaining agreement or contract in effect on the effective date of
8 P.L. , c. (pending before the Legislature as this bill).

9
10 3. R.S.36:1-1 is amended to read as follows:

11 36:1-1. a. The following days in each year shall, for all
12 purposes whatsoever as regards the presenting for payment or
13 acceptance, and of the protesting and giving notice of dishonor, of
14 bills of exchange, bank checks and promissory notes be treated and
15 considered as the first day of the week, commonly called Sunday,
16 and as public holidays, except as provided under subsection d. of
17 this section: January 1, known as New Year's Day; the third
18 Monday in January, known as Martin Luther King's Birthday;
19 February 12, known as Lincoln's Birthday; the third Monday in
20 February, known as Washington's Birthday; the day designated and
21 known as Good Friday; the last Monday in May, known as
22 Memorial Day; July 4, known as Independence Day; the first
23 Monday in September, known as Labor Day; the second Monday in
24 October, known as Columbus Day; November 11, known as
25 Armistice Day or Veterans' Day; the fourth Thursday in November,
26 known as Thanksgiving Day; December 25, known as Christmas
27 Day; any general election day in this State; every Saturday; and any
28 day heretofore or hereafter appointed, ordered or recommended by
29 the Governor of this State, or the President of the United States, as a
30 day of fasting and prayer, or other religious observance, or as a
31 bank holiday or holidays. All such bills, checks and notes,
32 otherwise presentable for acceptance or payment on any of the days
33 herein enumerated, shall be deemed to be payable and be
34 presentable for acceptance or payment on the secular or business
35 day next succeeding any such holiday.

36 b. Whenever any of the days herein enumerated can and shall
37 fall on a Sunday, the Monday next following shall, for any of the
38 purposes herein enumerated be deemed a public holiday, except as
39 provided under subsection d. of this section; and bills of exchange,
40 checks and promissory notes which otherwise would be presentable
41 for acceptance or payment on such Monday shall be deemed to be
42 presentable for acceptance or payment on the secular or business
43 day next succeeding such holiday.

44 c. In construing this section, every Saturday shall, until 12
45 o'clock noon, be deemed a secular or business day, except as is
46 hereinbefore provided in regard to bills of exchange, bank checks
47 and promissory notes, and the days herein enumerated except bank
48 holidays and Saturdays shall be considered as the first day of the

1 week, commonly called Sunday, and public holidays, for all
2 purposes whatsoever as regards the transaction of business in the
3 public offices of this State, or counties of this State, except as
4 provided under subsection d. of this section; but on all other days or
5 half days, except Sunday or as otherwise provided by law, such
6 offices shall be kept open for the transaction of business.

7 d. Notwithstanding the provisions of subsections a. through c. of
8 this section, the following day each calendar year shall not be
9 considered a public holiday for the purposes of conducting State,
10 county, and municipal business:

11 (1) February 12, known as Lincoln's Birthday.

12 All public offices of State, county, and municipal government in
13 this State shall be open on this day for the transaction of business.

14 (cf: P.L.1984, c.97, s.1)

15

16 4. Section 1 of P.L.1978, c.135 (C.36:1-1.2) is amended to read
17 as follows:

18 1. Whenever any legal holiday enumerated in R.S. 36:1-1 other
19 than Saturday, and other than those days enumerated under
20 subsection d. of R.S.36:1-1, can and shall fall on a Saturday, the
21 preceding Friday shall be deemed to be said holiday for State
22 employees, and the public offices of the State government shall be
23 closed for the transaction of business.

24 (cf: P.L.1978, c.135, s.1)

25

26 5. This act shall take effect immediately.

27

28

29

STATEMENT

30

31 This bill would lower, from 13 to 12, the number of paid
32 holidays for all State and local public employees. Under the bill,
33 the legal holiday known as Lincoln's Birthday would no longer be
34 considered a public holiday for the purposes of conducting State
35 and local government business. On that day, State and local
36 government offices are to remain open. In honor of President
37 Lincoln, the bill provides for the third Monday in February, known
38 as Washington's Birthday, to be known and celebrated as
39 Washington and Lincoln day in this State.

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 1962

STATE OF NEW JERSEY

DATED: JUNE 12, 2008

The Senate State Government Committee reports favorably Senate No. 1962.

This bill changes the eligibility criteria for becoming a member and for accruing service credit as a member of the Teachers' Pension and Annuity Fund (TPAF) and of the Public Employees' Retirement System (PERS). It shifts the basis for membership from the amount of compensation to the number of hours worked weekly. Currently, the applicable minimum annual compensation criteria are \$500 and \$1,500 for TPAF and PERS, respectively.

The bill provides that, after the effective date of the bill, any person in public employment, office or position with the State, or an agency, board, commission, authority or instrumentality of the State, for which the hours of work are fixed at fewer than 35 per week is ineligible to become a TPAF or PERS member and, if already a member, is ineligible to make contributions to the relevant system on the basis of any such employment, office or position, unless the person has been in the employment, office or position continuously since that effective date without a break in active service. After the bill's effective date, any person in part-time public employment, office or positions with of a political subdivision of the State, or an agency, board commission, authority or instrumentality of a political subdivision of the State, for which the hours of work are fixed by an ordinance or resolution of the political subdivision, or any of its agencies, boards, commissions, authorities or instrumentalities, at fewer than 30 per week will be ineligible to become a member of TPAF or PERS and will not be able to make contributions to the system as a member on the basis of any such employment, office or position commencing after any break in active service.

Under the bill, persons ineligible for TPAF or PERS based on employment, office or position for which the hours of work are fewer per week than required for membership and service credit may be eligible for enrollment in the Defined Contribution Retirement Program. The bill also changes the annual base salary required for eligibility to enroll in the Defined Contribution Retirement Program from \$1,500 to \$5,000.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 1962, 1964, 1965 1969 and 2077**

STATE OF NEW JERSEY

DATED: JUNE 19 , 2008

The Senate Budget and Appropriations Committee reports favorably Senate Committee Substitute for Bill Nos. 1962, 1964, 1965, 1969 and 2077.

The Senate Budget and Appropriations Committee reports favorably the Senate Committee Substitute to Senate Bill Nos. 1962, 1964, 1965, 1969 and 2077.

This bill, entitled “The Public Employee Pension and Benefits Reform Act of 2008,” implements an additional six major recommendations made in the report of the Joint Legislative Committee on Public Employee Benefits Reform issued during the New Jersey Legislature’s 2006 Special Session.

This bill prohibits pension system credit purchased for out-of-State service from being creditable towards post-retirement health care benefits. Service credit in the Teachers’ Pension and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), established through purchase on or after the bill’s effective date by a current or future member for prior employment with another state or the federal government, or for service with a bi-state or multi-state agency in the case of a member of PERS, cannot be used to meet the requirements for employer-paid health care benefits in retirement.

This bill also provides that the State as an employer, or an independent State authority, commission, board or instrumentality, may allow any employee who is eligible for other health care coverage that is not under the State Health Benefits Program (SHBP) to waive the SHBP coverage to which the employee is entitled by virtue of employment with the State or other State entity. In consideration of filing a waiver, the State or other employer may pay the employee annually an amount established at its sole discretion and not in excess of 50% of the amount saved because of the employee's waiver of coverage.

Current law permits public employers other than the State participating in the SHBP to offer a waiver incentive. Under the bill, the arrangement after a waiver is the same for both State and local employees. An employee who waives coverage will be permitted to resume coverage immediately, if the employee ceases to have other

health care coverage, but will be required to repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. The decision of an employer to allow its employees to waive SHBP coverage and the amount of consideration to be paid is not subject to the collective bargaining process.

This bill raises the retirement age for a benefit without any reduction, from age 60 to age 62, for members of the TPAF and the PERS who became a member of one system or the other on or after the effective date of this bill.

Under current law, members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. Under current law, there is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service. If a person became a member on or after the effective date of this bill, that person must be at least 62 years of age in order to retire without a reduction in his or her retirement allowance.

This bill changes the eligibility criteria for becoming a member of the TPAF and of the PERS. Currently, the eligibility criteria are a minimum annual compensation of \$500 for TPAF and \$1,500 for PERS. Those same criteria will continue to apply to a person who is a TPAF or PERS member on the effective date of the bill and continuously thereafter.

The bill provides that, after its effective date, a person who was not a member of either retirement system on that effective date, or who was a member on that date but not continuously thereafter, and who is in public employment, office or position covered by TPAF or PERS for which the annual salary or remuneration is certified by the public entity at \$7,500 or more, will be eligible to become a member of the relevant retirement system. The \$7,500 minimum annual salary or remuneration amount will be adjusted annually by the Director of the Division of Pensions and Benefits, by regulation, in accordance with changes in the Consumer Price Index but by no more than 4 percent. "Consumer Price Index" means the average of the annual increase, expressed as a percentage, in the consumer price index for all urban consumers in the New York City and Philadelphia metropolitan statistical areas during the preceding calendar year as reported by the United States Department of Labor.

Under the bill, persons ineligible for TPAF or PERS based on the new criteria may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).

In addition, the bill provides that an adjunct faculty member or part-time instructor at a public institution of higher education in the

State whose employment agreement begins after that effective date will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS. The bill also provides that an appeal by any person who is denied membership in TPAF or PERS will be transmitted as a contested case to the Office of Administrative Law for an adjudicatory proceeding.

The bill puts into statute the current eligibility criteria for SHBP coverage, now contained in regulation, for an employee of an employer other than the State, who must work the number of hours per week as prescribed by the governing body of the participating employer, which number of hours worked will be considered full-time, determined by resolution and not less than 20.

The bill provides that any person who knowingly obtains SHBP coverage for an ineligible person, himself or another, will be guilty of a crime of the fourth degree, punishable by imprisonment for up to 18 months or a fine of up to \$10,000, or both. The bill requires the SHBP to establish an audit program to ensure that only eligible employees and retirees, and their dependents, are receiving health care coverage under the program.

Finally, this bill would lower, from 13 to 12, the number of paid holidays for all State government public employees. Under the bill, the legal holiday known as Lincoln's Birthday would no longer be considered a public holiday for the purposes of conducting State government business. On that day, State government offices are to remain open. In honor of President Lincoln and all Presidents, the bill provides for the third Monday in February, known as Washington's Birthday, to be known and celebrated as Presidents Day for the purpose of a paid holiday for State employees. This provision of the bill will take effect in the calendar year after the collective bargaining agreements or contracts covering a majority of the Executive Branch employees expire.

As reported by the committee, the substitute is identical to Assembly Bill No. 2818.

FISCAL IMPACT

On the provisions of the substitute bill concerning the purchase of out-of-State service credit, according to the Division of Pensions and Benefits, data is not available to estimate savings. However, if this change is enacted, it will reduce the number of employees qualifying for State-paid post retirement medical benefits, which will result in savings.

On the provisions of the bill concerning the increase in retirement age, from 60 to 62, the Division of Pensions and Benefits estimates the additional savings to the State and local governments to be \$600,000 and \$820,000 respectively beginning in 2011. The OLS notes that the cost savings are not realized until FY 2011. This is because if the bill becomes effective as of July 1, 2008, the positions that will be affected

by the bill will not be reflected in the valuation report until July 1, 2009. There is a two year lag between when the valuation report is generated and when the State contributions become due.

On the provisions of the bill concerning paid holidays for State employees, Department of Treasury anticipates that this bill would reduce State overtime costs by about \$1.4 million annually once its provisions become effective. There may be a modest expenditure increase related to operating public offices for an additional day.

On the provisions of the bill concerning membership eligibility for PERS and TPAF according to the Division of Pensions and Benefits, sufficient data is not available to project savings accurately.

On the provisions of the bill with regard to the requirement that SHBP conduct an annual audit to identify ineligible participants in the program, no data is available at this time to estimate any additional cost to the Division of Pension and Benefits for the annual audit or the savings that maybe realized as a result thereof. This bill may result in savings over time if ineligible SHBP participants are identified and removed from the system.

FISCAL NOTE
 Corrected Copy
 SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 1962, 1964, 1965, 1969 and 2077
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: SEPTEMBER 12, 2008

SUMMARY

Synopsis: Makes changes to PERS and TPAF concerning retirement age, eligibility, purchase of service credit; makes various changes to SHBP administration; merges Washington and Lincoln holidays for State employees in Presidents Day.

Type of Impact: Expenditure reduction; State General Fund.

Agencies Affected: Division of Pensions and Benefits; Department of Treasury.

Executive Estimate

Fiscal Impact	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Savings		See comments below	
Local Savings		See comments below	

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- This bill prohibits eligibility for credit purchased in the Teacher’s Pension and Annuity Fund (TPAF) or the Public Employee’s Retirement System (PERS) for certain out-of-State service from being creditable towards eligibility for post-retirement health care benefits.
- This bill allows State employees who are eligible for other health care coverage to waive State Health Benefits Program (SHBP) coverage, as specified.
- This bill raises the retirement age for a retirement allowance without any reduction, from age 60 to age 62, for new members of the TPAF and the PERS.
- This bill changes the eligibility criteria for new employees for PERS and TPAF membership, from a minimum annual compensation of \$500 for TPAF and \$1,500 for PERS to \$7,500 or more, as specified. Those ineligible for PERS or TPAF, but earning at least \$1,500 per year may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).

- The bill provides that new adjunct faculty members or part-time instructors at a public institution of higher education in the State whose employment agreement begins after the effective date of this bill will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS.
- The bill requires a local government employee to work a full-time work week, as specified by the employer of at least 20 hours, to be eligible for health care benefits through the SHBP. SHBP is required to audit its membership to identify ineligible participants.
- This bill lowers, from 13 to 12, the number of paid holidays for all State government employees by merging the Washington's and Lincoln's Birthday holidays into President's Day.

BILL DESCRIPTION

The Corrected Copy Senate Committee Substitute for Senate Bill Nos. 1962, 1964, 1965, 1969 and 2077 of 2008, entitled "The Public Employee Pension and Benefits Reform Act of 2008," implements an additional six major recommendations made in the report of the Joint Legislative Committee on Public Employee Benefits Reform issued during the New Jersey Legislature's 2006 Special Session.

This bill prohibits pension system credit purchased for out-of-State service from being creditable towards post-retirement health care benefits. Service credit in the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), established through purchase on or after the bill's effective date by a current or future member for prior employment with another state or the federal government, or for service with a bi-state or multi-state agency in the case of a member of PERS, cannot be used to meet the requirements for employer-paid health care benefits in retirement.

This bill also provides that the State as an employer, or an independent State authority, commission, board or instrumentality, may allow any employee who is eligible for other health care coverage that is not under the State Health Benefits Program (SHBP) to waive the SHBP coverage to which the employee is entitled by virtue of employment with the State or other State entity. In consideration of filing a waiver, the State or other employer may pay the employee annually an amount established at its sole discretion and not in excess of 50 percent of the amount saved because of the employee's waiver of coverage.

Current law permits public employers participating in the SHBP other than the State to offer a waiver incentive. Under the bill, the arrangement after a waiver is the same for both State and local employees. An employee who waives coverage will be permitted to resume coverage immediately, if the employee ceases to have other health care coverage, but will be required to repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. The decision of an employer to allow its employees to waive SHBP coverage and the amount of consideration to be paid is not subject to the collective bargaining process.

This bill raises the retirement age for a retirement allowance without any reduction, from age 60 to age 62, for members of the TPAF and the PERS who become a member on or after the effective date of this bill. Under current law, members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with

25 years of service. Under current law, there is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 with 25 or more years of service. If a person becomes a member on or after the effective date of this bill, that person must be at least 62 years of age in order to retire without a reduction in his or her retirement allowance.

This bill changes the eligibility criteria for becoming a member of the TPAF and of the PERS. Currently, the eligibility criteria are a minimum annual compensation threshold of \$500 for TPAF and \$1,500 for PERS. Those same criteria will continue to apply to a person who is a TPAF or PERS member on the effective date of the bill and continuously thereafter. The bill provides that, after its effective date, a person who was not a member of either retirement system on that effective date, or who was a member on that date but not continuously thereafter, and who is in public employment, office or position covered by TPAF or PERS for which the annual salary or remuneration is certified by the public entity at \$7,500 or more, will be eligible to become a member of the relevant retirement system. The \$7,500 minimum annual salary threshold or remuneration amount will be adjusted annually by the Director of the Division of Pensions and Benefits, by regulation, in accordance with changes in the Consumer Price Index but by no more than 4 percent. "Consumer Price Index" means the average of the annual increase, expressed as a percentage, in the consumer price index for all urban consumers in the New York City and Philadelphia metropolitan statistical areas during the preceding calendar year as reported by the United States Department of Labor. Under the bill, persons ineligible for TPAF or PERS based on the new criteria may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP). The bill also provides that an appeal by any person who is denied membership in TPAF or PERS will be transmitted as a contested case to the Office of Administrative Law for an adjudicatory proceeding.

In addition, the bill provides that an adjunct faculty member or part-time instructor at a public institution of higher education in the State whose employment agreement begins after the effective date of the bill will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS.

The bill puts into statute the current eligibility criteria for SHBP coverage, now contained in regulation, for an employee of an employer other than the State, who must work the number of hours per week as prescribed by the governing body of the participating employer, which number of hours worked will be considered full-time, determined by resolution and not less than 20. The bill provides that any person who knowingly obtains SHBP coverage for an ineligible person, himself or another, will be guilty of a crime of the fourth degree, punishable by imprisonment for up to 18 months or a fine of up to \$10,000, or both. The bill requires the SHBP to establish an audit program to ensure that only eligible employees and retirees, and their dependents, are receiving health care coverage under the program.

Finally, this bill would lower, from 13 to 12, the number of paid holidays for all State government public employees. Under the bill, the legal holiday known as Lincoln's Birthday would no longer be considered a public holiday for the purposes of conducting State government business. On that day, State government offices are to remain open. In honor of President Lincoln and all Presidents, the bill provides for the third Monday in February, known as Washington's Birthday, to be known and celebrated as Presidents Day for the purpose of a paid holiday for State employees. This provision of the bill will take effect in the calendar year after the collective bargaining agreements or contracts covering a majority of the Executive Branch employees expire.

FISCAL ANALYSIS

EXECUTIVE BRANCH

According to the Division of Pensions and Benefits in the Department of Treasury, the estimable long term savings resulting from this bill will total \$152.2 million by FY 2022. Of that amount, \$107 million in savings will result from raising the retirement age from 60 to 62, and \$13 million in savings will result from raising the PERS eligibility threshold to \$7,500. The bill also raises the TPAF eligibility threshold to \$7,500 but this will result in virtually no savings. It is estimated that the elimination of Lincoln's birthday as a holiday for State employees will result in \$32.2 million in savings.

With regard to the other provisions of the bill, no savings can be estimated or no savings will result. For example, the division indicates that there is no estimate at this time with regard to the requirement that all new adjunct faculty join the ABP instead of PERS. The appeal process, provided in this bill for those who are denied membership into PERS or TPAF, is not expected to provide any savings.

Aggregate Projected Long-Term Savings from Proposed Reforms					
For the Period FY 2011 to FY 2022					
(\$Millions)					
	State		Local		Total
Increase retirement age from 60 to 62	PERS/TPAF	\$53.63	PERS	\$53.36	\$106.99
Raise eligibility threshold to \$7,500	PERS	\$0.84	PERS	\$12.22	\$13.06
New adjunct faculty from PERS to ABP	No estimate at this time				
Appeals process RS/TPAF	No savings				
Total Pension Savings		\$54.47		\$65.58	\$120.05

Total Health Care Benefit Savings	No estimate at this time but the purchase and waiver provisions may result in savings ultimately.
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Eliminate Lincoln's birthday as a State employee holiday	\$32.15		\$32.15
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Total Savings	\$86.62	\$65.58	\$152.20
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Source: Division of Pensions and Benefits, Department of Treasury. Assumes an FY 2009 implementation date.

Initial savings in FY 2011 to the State and local governments as a result of this measure are estimated to be \$1.11 million, \$600,000 in State PERS savings and \$820,000 in local PERS savings from increasing the retirement age from age 60 to age 62. These initial FY 2011 savings are offset by increased costs to the State and local employers of \$310,000 to pay for the employer's three percent contribution to the DCRP for those employees whose income falls below the \$7,500 PERS eligibility threshold established by this bill. The division estimates there

will be initial costs of \$360,000 to the State and local employers in FY 2009 and FY 2010 from the enrollment of new employees in the DCRP.

It is estimated that the elimination of Lincoln's Birthday as a State employee holiday would reduce State overtime costs by approximately \$2.5 million beginning in FY 2012 rising to approximately \$3 million annually by FY 2022. There may be a modest expenditure increase related to operating public offices for an additional day.

The Division of Pensions and Benefits breaks down these initial savings by fiscal year as shown in the chart below.

Projected Savings Assuming FY 2009 Implementation (\$ Millions)			
Pension and Health Care Benefit Reforms			
	FY 2011	FY 2012	FY 2013
Increase Retirement Age from 60 to 62			
PERS - State	\$0.20	\$0.37	\$0.62
TPAF	\$0.40	\$0.78	\$1.21
PERS local	\$0.82	\$0.99	\$1.19
Raise PERS and TPAF eligibility threshold to \$7,500			
PERS - State			
PERS Savings	\$0.06	\$0.10	\$0.14
DCRP Cost at 3 percent	\$0.09	\$0.11	\$0.14
Net Savings/(Costs) - State	(\$0.03)	(\$0.01)	\$0.00
PERS - Local			
PERS Savings	\$0.90	\$1.43	\$2.03
DCRP Cost at 3 percent	\$1.18	\$1.57	\$2.03
Net Savings/(Costs) - Local	(\$0.28)	(\$0.14)	\$0.00
Eliminate Lincoln's Birthday		\$2.44	\$2.52

Source: Division of Pensions and Benefits.

According to the Division of Pensions and Benefits, the savings related to the SHBP are more difficult to estimate. Data are not available to estimate savings related to not allowing the out-of-State purchase of service credit in PERS and TPAF to count towards post-retirement medical benefits. The division indicates that if this change is enacted, however, it will reduce the number of employees qualifying for employer-paid post-retirement medical benefits which will ultimately result in savings.

The division also indicates that the bill does not guarantee any savings with regard to offering an incentive for State employees eligible for other health care coverage to waive their SHBP coverage in favor of another health care plan.

Finally, no data are available to estimate the cost of auditing the SHBP annually to identify ineligible participants in the SHBP. However, this bill may result in savings over time if ineligible SHBP participants are identified and removed from the system.

There are no savings to the SHBP anticipated resulting from the codification of current regulations for the definition of eligible full-time employees for local government employers.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate. The OLS notes that the pension savings will not begin to be realized until 2011. This is because there is a two year lag between when a valuation report by the system's actuaries is generated and when contributions become due. Savings related to the elimination of Lincoln's Birthday holiday are not realizable until 2012. This is because holidays are set forth in most current collective bargaining agreements which are in effect until June 30, 2011 and the first Lincoln's Birthday holiday that would be affected by this bill is February 2012.

Section: State Government

*Analyst: Kimberly Anne McCord
Associate Fiscal Analyst*

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

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C. 52:13B-1 et seq.).

ASSEMBLY, No. 2818

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED JUNE 19, 2008

Sponsored by:

Assemblyman JOSEPH J. ROBERTS, JR.

District 5 (Camden and Gloucester)

SYNOPSIS

Makes changes to PERS and TPAF concerning retirement age, eligibility, purchase of service credit; makes various changes to SHBP administration; merges Washington and Lincoln holidays for State employees in Presidents Day.

CURRENT VERSION OF TEXT

As introduced.



A2818 ROBERTS

2

1 AN ACT concerning retirement and other benefits for certain public
2 employees and amending and supplementing various parts of the
3 statutory law.

4

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

7

8 1. This act shall be known as “The Public Employee Pension
9 and Benefits Reform Act of 2008.”

10

11 2. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended to
12 read as follows:

13 36. a. Notwithstanding the provisions of any other law to the
14 contrary, an employer other than the State which participates in the
15 State Health Benefits Program, established pursuant to P.L.1961,
16 c.49 (C.52:14-17.25 et seq.), may allow any employee who is
17 eligible for other health care coverage to waive coverage under the
18 State Health Benefits Program to which the employee is entitled by
19 virtue of employment with the employer. The waiver shall be in
20 such form as the Director of the Division of Pensions and Benefits
21 shall prescribe and shall be filed with the division. After such
22 waiver has been filed and for so long as that waiver remains in
23 effect, no premium shall be required to be paid by the employer for
24 the employee or the employee's dependents. Not later than the
25 180th day after the date on which the waiver is filed, the division
26 shall refund to the employer the amount of any premium previously
27 paid by the employer with respect to any period of coverage which
28 followed the filing date.

29 b. Notwithstanding the provisions of any other law to the
30 contrary, the State as an employer, or an employer that is an
31 independent authority, commission, board, or instrumentality of the
32 State which participates in the State Health Benefits Program, may
33 allow any employee who is eligible for other health care coverage
34 that is not under the State Health Benefits Program to waive the
35 coverage under the State Health Benefits Program to which the
36 employee is entitled by virtue of employment with the employer.
37 The waiver shall be in such form as the Director of the Division of
38 Pensions and Benefits shall prescribe and shall be filed with the
39 division.

40 c. In consideration of filing **[such]** a waiver as permitted in
41 subsections a. and b. of this section, an employer may pay to the
42 employee annually an amount, to be established in the sole
43 discretion of the employer, which shall not exceed 50% of the
44 amount saved by the employer because of the employee's waiver of
45 coverage. An employee who waives coverage shall be permitted to

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.

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1 immediately resume coverage if the employee ceases to be eligible
2 for other health care coverage for any reason, including, but not
3 limited to, the retirement or death of the spouse or divorce. An
4 employee who resumes coverage shall repay, on a pro rata basis,
5 any amount received from the employer which represents an
6 advance payment for a period of time during which coverage is
7 resumed. An employee who wishes to resume coverage shall notify
8 the employer in writing and file a declaration with the division, in
9 such form as the director of the division shall prescribe, that the
10 waiver is revoked. The decision of an employer to allow its
11 employees to waive coverage and the amount of consideration to be
12 paid therefor shall not be subject to the collective bargaining
13 process.

14 (cf: P.L.2007, c.92, s.48)

15

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

17 18A:66-13. Prior service credit. A member may file a detailed
18 statement of: a. school service and service in a similar capacity in
19 other states and in schools within and outside the United States
20 operated by a department of the United States Government for the
21 instruction of the children of United States Government officers and
22 employees, or b. other public employment in other states or with
23 the United States Government which would be eligible for credit in
24 a State-administered retirement system if the employment was with
25 a public employer in this State, or c. military service in the Armed
26 Forces of the United States, rendered prior to becoming a member,
27 for which the member desires credit, and of such other facts as the
28 retirement system may require. The member may purchase credit
29 for all or a portion of the service evidenced in the statement up to
30 the nearest number of years and months, but not exceeding 10
31 years, provided however, that a member purchasing that maximum
32 credit may purchase up to five additional years for additional
33 military service qualifying the member as a veteran as defined in
34 N.J.S.18A:66-2. No application shall be accepted for the purchase
35 of credit for such service if, at the time of application, the member
36 has a vested right to retirement benefits in another retirement
37 system based in whole or in part upon that service.

38 The member may purchase credit for the service by paying into
39 the annuity savings fund the amount required by applying the
40 factor, supplied by the actuary as being applicable to the member's
41 age at the time of the purchase, to the member's salary at that time,
42 or to the highest annual compensation for service in this State for
43 which contributions were made during any prior fiscal year of
44 membership, whichever is greater. The purchase may be made in
45 regular installments, equal to at least one-half the full normal
46 contribution to the retirement system, over a maximum period of 10
47 years. Neither the State nor the employer of a member who applies
48 to purchase credit for public employment with the United States

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1 Government pursuant to subsection b. of this section or for military
2 service pursuant to subsection c. of this section shall be liable for
3 any payment to the retirement system on behalf of the member for
4 the purchase of this credit.

5 Notwithstanding any provision of this act to the contrary, a
6 member shall not be liable for any costs associated with the
7 financing of pension adjustment benefits and health care benefits
8 for retirees when purchasing credit for school service, public
9 employment in other states or with the United States Government,
10 or military service in the Armed Forces of the United States.

11 Any member electing to purchase the service who retires prior to
12 completing payments as agreed with the retirement system will
13 receive pro rata credit for service purchased prior to the date of
14 retirement, but if the member so elects at the time of retirement, the
15 member may make the additional lump sum payment required at
16 that time to provide full credit.

17 Notwithstanding any other provision of law to the contrary,
18 service credit established in the retirement system by a member
19 through purchase in accordance with this section, which purchase
20 was made by an application submitted on or after the effective date
21 of P.L. , c. (pending before the Legislature as this bill), except a
22 purchase for military service in the Armed Forces of the United
23 States, shall not be eligible for consideration when service is used
24 to determine the qualification of the member for any health care
25 benefits coverage paid, in whole or in part, by a public employer
26 after the member's retirement.

27 (cf: P.L.1991, c.153, s.1)

28

29 4. Section 2 of P.L.1963, c.19 (C.43:15A-73.1) is amended to
30 read as follows:

31 2. A member may file a detailed statement of public
32 employment in other states or with the United States Government
33 which would be eligible for credit in a State-administered
34 retirement system if the employment was with a public employer in
35 this State, or of military service in the Armed Forces of the United
36 States, or of service resulting from initial appointment or
37 employment on or after January 1, 2002 with a bi-state or multi-
38 state agency established pursuant to an interstate compact to which
39 the State is a party which would be eligible for credit in a State-
40 administered retirement system if the employment was with a
41 public employer in this State, rendered prior to becoming a member,
42 for which the member desires credit, and of such other facts as the
43 retirement system may require. The member may purchase credit
44 for all or a portion of the service evidenced in the statement up to
45 the nearest number of years and months, but not exceeding 10
46 years, provided however, that a member purchasing that maximum
47 credit may purchase up to five additional years for additional
48 military service qualifying the member as a veteran as defined in

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1 section 6 of P.L.1954, c.84 (C.43:15A-6). No application shall be
2 accepted for the purchase of credit for the service if, at the time of
3 application, the member has a vested right to retirement benefits in
4 another retirement system based in whole or in part upon that
5 service. The member may purchase credit for the service by paying
6 into the annuity savings fund the amount required by applying the
7 factor, supplied by the actuary as being applicable to the member's
8 age at the time of the purchase, to the member's salary at that time,
9 or to the highest annual compensation for service in this State for
10 which contributions were made during any prior fiscal year of
11 membership, whichever is greater. The purchase may be made in
12 regular installments, equal to at least 1/2 of the full normal
13 contribution to the retirement system, over a maximum period of 10
14 years. The employer of a member who applies, pursuant to this
15 section, to purchase credit for public employment with the United
16 States Government or for military service in the Armed Forces of
17 the United States shall not be liable for any payment to the
18 retirement system on behalf of the member for the purchase of this
19 credit.

20 Notwithstanding any provision of this act to the contrary, a
21 member shall not be liable for any costs associated with the
22 financing of pension adjustment benefits and health care benefits
23 for retirees when purchasing credit for public employment in other
24 states or with the United States Government or military service in
25 the Armed Forces of the United States or with a bi-state or multi-
26 state agency.

27 Any member electing to make a purchase pursuant to this section
28 who retires prior to completing payments as agreed with the
29 retirement system will receive pro rata credit for the purchase prior
30 to the date of retirement, but if the member so elects at the time of
31 retirement, the member may make the additional lump sum payment
32 required at that time to provide full credit.

33 Notwithstanding any other provision of law to the contrary,
34 service credit established in the retirement system by a member
35 through purchase in accordance with this section, which purchase
36 was made by an application submitted on or after the effective date
37 of P.L. , c. (pending before the Legislature as this bill), except a
38 purchase for military service in the Armed Forces of the United
39 States, shall not be eligible for consideration when service is used
40 to determine the qualification of the member for any health care
41 benefits coverage paid, in whole or in part, by a public employer
42 after the member's retirement.

43 (cf: P.L.2003, c.263, s.2)

44

45 5. N.J.S.18A:66-4 is amended to read as follows:

46 18A:66-4. The membership of the retirement system shall
47 consist of:

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1 (a) all members of the teachers' pension and annuity fund
2 enrolled as such as of December 31, 1955;

3 (b) any person becoming a teacher on or after January 1, 1956,
4 except any person who has attained the age of 60 years prior to
5 becoming a teacher after June 30, 1958 but before July 1, 1968;

6 (c) every teacher veteran as of January 1, 1956, who is not a
7 member of the "Teachers' Pension and Annuity Fund" as of such
8 date and who shall not have notified the board of trustees within 30
9 days of such date that he does not desire to become a member;

10 (d) any teacher employed on January 1, 1956, who is not a
11 member of the Teachers' Pension and Annuity Fund and who elects
12 to become a member under the provisions of section 18A:66-10.

13 **[No]** Before or on the effective date of P.L. , c. (pending
14 before the Legislature as this bill), no person in employment, office
15 or position, for which the annual salary or remuneration is fixed at
16 less than \$500.00 shall be eligible to become a member of the
17 retirement system. After the effective date of P.L. , c. (pending
18 before the Legislature as this bill), a person who was a member of
19 the retirement system on that effective date and continuously
20 thereafter shall be eligible to be a member of the retirement system
21 in employment, office or position, for which the annual salary or
22 remuneration is fixed at \$500 or more. After the effective date of
23 P.L. , c. (pending before the Legislature as this bill), a person
24 who was not a member of the retirement system on that effective
25 date, or who was a member of the retirement system on that
26 effective date but not continuously thereafter, and who is in
27 employment, office or position, for which the annual salary or
28 remuneration is certified by the applicable public entity at \$7,500 or
29 more, shall be eligible to become a member of the retirement
30 system. The \$7,500 minimum annual salary or remuneration
31 amount shall be adjusted annually by the Director of the Division of
32 Pensions and Benefits, by regulation, in accordance with changes in
33 the Consumer Price Index but by no more than 4 percent.
34 "Consumer Price Index" means the average of the annual increase,
35 expressed as a percentage, in the consumer price index for all urban
36 consumers in the New York City and Philadelphia metropolitan
37 statistical areas during the preceding calendar year as reported by
38 the United States Department of Labor.

39 (cf: P.L.1968, c.229, s.1)

40

41 6. N.J.S.18A:66-8 is amended to read as follows:

42 18A:66-8. a. If a teacher:

43 (1) is dismissed by an employer by reason of reduction in
44 number of teachers employed in the school district, institution or
45 department when in the judgment of the employer it is advisable to
46 abolish any office, position or employment for reasons of a
47 reduction in the number of pupils, economy, a change in the
48 administrative or supervisory organization or other good cause; or

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1 becomes unemployed by reason of the creation of a regional school
2 district or a consolidated school district; or has been discontinued
3 from service without personal fault or through leave of absence
4 granted by an employer or permitted by any law of this State; and

5 (2) has not withdrawn the accumulated member's contributions
6 from the retirement system, the teacher's membership may continue,
7 notwithstanding any provisions of this article, if the member returns
8 to service within a period of 10 years from the date of
9 discontinuance from service. No credit for retirement purposes
10 shall be allowed to the member covering the period of
11 discontinuance, except as provided in this section. In computing
12 the service or in computing final compensation, no time after
13 September 1, 1919, during which a member shall have been
14 employed as a teacher at an annual salary or remuneration fixed at
15 less than **[\$500.00]** that which is required for membership pursuant
16 to N.J.S.18A:66-4 as applicable to the member shall be credited,
17 except that in the case of a veteran member credit shall be given for
18 service rendered prior to January 1, 1955, in an employment, office
19 or position if the annual salary or remuneration therefor was fixed
20 at not less than \$300.00 and the service consisted of the
21 performance of the full duties of the employment, office or position.

22 b. A teacher may purchase credit for time during which the
23 teacher shall have been absent on an official leave without pay. The
24 credit shall be purchased for a period of time equal to:

25 (1) three months or the duration of the leave, whichever is less;
26 or

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

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

31 The purchase shall be made in the same manner and be subject to
32 the same terms and conditions provided for the purchase of previous
33 membership service by N.J.S.18A:66-9.

34 (cf: P.L.1991, c.138, s.1)

35

36 7. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read
37 as follows:

38 7. There is hereby established the Public Employees'
39 Retirement System of New Jersey in the Division of Pensions and
40 Benefits of the Department of the Treasury. The membership of the
41 retirement system shall include:

42 a. The members of the former "State Employees' Retirement
43 System of New Jersey" enrolled as such as of December 30, 1954,
44 who shall not have claimed for refund their accumulated deductions
45 in said system as provided in this section;

46 b. Any person becoming an employee of the State or other
47 employer after January 2, 1955 and every veteran, other than a
48 retired member who returns to service pursuant to subsection b. of

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1 section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those
2 whose appointments are seasonal, becoming an employee of the
3 State or other employer after such date, including a temporary
4 employee with at least one year's continuous service. The
5 membership of the retirement system shall not include those
6 persons appointed to serve as described in paragraphs (2) and (3) of
7 subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), except a
8 person who was a member of the retirement system prior to the
9 effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-
10 1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and
11 C.43:15A-135) and continuously thereafter; and

12 c. Every employee veteran in the employ of the State or other
13 employer on January 2, 1955, who is not a member of any
14 retirement system supported wholly or partly by the State.

15 d. Membership in the retirement system shall be optional for
16 elected officials other than veterans, and for school crossing guards,
17 who having become eligible for benefits under other pension
18 systems are so employed on a part-time basis. Elected officials
19 commencing service on or after the effective date of sections 1
20 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15,
21 C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not
22 be eligible for membership in the retirement system based on
23 service in the elective public office, except that an elected official
24 enrolled in the retirement system as of that effective date who
25 continues to hold that elective public office without a break in
26 service shall be eligible to continue membership in the retirement
27 system under the terms and conditions of enrollment. Service in the
28 Legislature shall be considered a single elective public office. Any
29 part-time school crossing guard who is eligible for benefits under
30 any other pension system and who was hired as a part-time school
31 crossing guard prior to March 4, 1976, may at any time terminate
32 his membership in the retirement system by making an application
33 in writing to the board of trustees of the retirement system. Upon
34 receiving such application, the board of trustees shall terminate his
35 enrollment in the system and direct the employer to cease accepting
36 contributions from the member or deducting from the compensation
37 paid to the member. State employees who become members of any
38 other retirement system supported wholly or partly by the State as a
39 condition of employment shall not be eligible for membership in
40 this retirement system. Notwithstanding any other law to the
41 contrary, all other persons accepting employment in the service of
42 the State shall be required to enroll in the retirement system as a
43 condition of their employment, regardless of age. **[No]** Before or
44 on the effective date of P.L. , c. (pending before the Legislature
45 as this bill), no person in employment, office or position, for which
46 the annual salary or remuneration is fixed at less than \$1,500.00,
47 shall be eligible to become a member of the retirement system.
48 After the effective date of P.L. , c. (pending before the

1 Legislature as this bill), a person who was a member of the
2 retirement system on that effective date and continuously thereafter
3 shall be eligible to be a member of the retirement system in
4 employment, office or position, for which the annual salary or
5 remuneration is fixed at \$1,500 or more. After the effective date of
6 P.L. _____, c. _____ (pending before the Legislature as this bill), a person
7 who was not a member of the retirement system on that effective
8 date, or who was a member of the retirement system on that
9 effective date but not continuously thereafter, and who is in
10 employment, office or position, for which the annual salary or
11 remuneration is certified by the applicable public entity at \$7,500 or
12 more, shall be eligible to become a member of the retirement
13 system. The \$7,500 minimum annual salary or remuneration
14 amount shall be adjusted annually by the Director of the Division of
15 Pensions and Benefits, by regulation, in accordance with changes in
16 the Consumer Price Index but by no more than 4 percent.
17 “Consumer Price Index” means the average of the annual increase,
18 expressed as a percentage, in the consumer price index for all urban
19 consumers in the New York City and Philadelphia metropolitan
20 statistical areas during the preceding calendar year as reported by
21 the United States Department of Labor.

22 e. Membership of any person in the retirement system shall
23 cease if he shall discontinue his service for more than two
24 consecutive years.

25 f. The accumulated deductions of the members of the former
26 "State Employees' Retirement System" which have been set aside in
27 a trust fund designated as Fund A as provided in section 5 of this
28 act and which have not been claimed for refund prior to February 1,
29 1955 shall be transferred from said Fund A to the Annuity Savings
30 Fund of the Retirement System, provided for in section 25 of this
31 act. Each member whose accumulated deductions are so transferred
32 shall receive the same prior service credit, pension credit, and
33 membership credit in the retirement system as he previously had in
34 the former "State Employees' Retirement System" and shall have
35 such accumulated deductions credited to his individual account in
36 the Annuity Savings Fund. Any outstanding obligations of such
37 member shall be continued.

38 g. Any school crossing guard electing to terminate his
39 membership in the retirement system pursuant to subsection d. of
40 this section shall, upon his request, receive a refund of his
41 accumulated deductions as of the date of his appointment to the
42 position of school crossing guard. Such refund of contributions
43 shall serve as a waiver of all benefits payable to the employee, to
44 his dependent or dependents, or to any of his beneficiaries under the
45 retirement system.

46 h. A temporary employee who is employed under the federal
47 Workforce Investment Act shall not be eligible for membership in
48 the system. Membership for temporary employees employed under

1 the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C.
2 s.1501) who are in the system on September 19, 1986 shall be
3 terminated, and affected employees shall receive a refund of their
4 accumulated deductions as of the date of commencement of
5 employment in a federal Job Training Partnership Act program.
6 Such refund of contributions shall serve as a waiver of all benefits
7 payable to the employee, to his dependent or dependents, or to any
8 of his beneficiaries under the retirement system.

9 i. Membership in the retirement system shall be optional for a
10 special service employee who is employed under the federal Older
11 American Community Service Employment Act, Pub.L.94-135 (42
12 U.S.C. s.3056). Any special service employee employed under the
13 federal Older American Community Service Employment Act,
14 Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system
15 on the effective date of P.L.1996, c.139 may terminate membership
16 in the retirement system by making an application in writing to the
17 board of trustees of the retirement system. Upon receiving the
18 application, the board shall terminate enrollment in the system and
19 the member shall receive a refund of accumulated deductions as of
20 the date of commencement of employment in a federal Older
21 American Community Service Employment Act program. This
22 refund of contributions shall serve as a waiver of all benefits
23 payable to the employee, to any dependent or dependents, or to any
24 beneficiary under the retirement system.

25 j. An employee of the South Jersey Port Corporation who was
26 employed by the South Jersey Port Corporation as of the effective
27 date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-
28 employed within 365 days of such effective date by a subsidiary
29 corporation or other corporation, which has been established by the
30 Delaware River Port Authority pursuant to subdivision (m) of
31 Article I of the compact creating the Delaware River Port Authority
32 (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-
33 146), shall be eligible to continue membership while an employee
34 of such subsidiary or other corporation.

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

36
37 8. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to
38 read as follows:

39 39. In computing for retirement purposes the total service of a
40 member about to be retired, the retirement system shall credit the
41 member with the time of all service rendered by the member since
42 that member's last enrollment, and in addition with all the service to
43 which the member is entitled and with no other service. Except as
44 otherwise provided in this act, this service credit shall be final and
45 conclusive for retirement purposes unless the member shall
46 discontinue service for more than two consecutive years. In the case
47 of a member for whom compensation is defined in paragraph (2) of
48 subsection r. of section 6 of P.L.1954, c.84 (C.43:15A-6), the

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1 retirement system shall credit the member with the time of all
2 service rendered by the member during the part of any year that the
3 member was a participant of the Defined Contribution Retirement
4 Program, pursuant to paragraph (5) of subsection a. of section 2 of
5 P.L.2007, c.92 (C.43:15C-2) as amended by section 12 of P.L.2007,
6 c.103, and making contributions to that program.

7 For the purpose of computing service for retirement purposes,
8 the board shall fix and determine by appropriate rules and
9 regulations how much service in any year shall equal a year of
10 service and a part of a year of service. Not more than one year shall
11 be credited for all service in a calendar year. A member may
12 purchase credit for time during which the member shall have been
13 absent on an official leave without pay. The credit shall be
14 purchased for a period of time equal to:

15 (1) three months or the duration of the leave, whichever is less;
16 or

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

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

21 The purchase shall be made in the same manner and be subject to
22 the same terms and conditions provided for the purchase of previous
23 membership service credit by section 8 of P.L.1954, c.54
24 (C.43:15A-8). In computing the service or in computing final
25 compensation, no time during which a member was in employment,
26 office, or position for which the annual salary or remuneration was
27 fixed at less than \$500.00 in the case of service rendered prior to
28 November 6, 1986, or for which the annual salary or remuneration
29 is fixed at less than [\$1,500.00] that which was required for
30 membership pursuant to section 7 of P.L.1954, c.84 (C.43:15A-7)
31 as applicable to the member in the case of service rendered on or
32 after that date, shall be credited, except that in the case of a veteran
33 member credit shall be given for service rendered prior to January
34 2, 1955, in an employment, office or position if the annual salary or
35 remuneration therefor was fixed at not less than \$300.00 and such
36 service consisted of the performance of the full duties of the
37 employment, office or position.

38 (cf: P.L.2007, c.103, s.18)

39

40 9. Section 65 of P.L.1954, c.84 (C.43:15A-65) is amended to
41 read as follows:

42 65. (a) All employees of any public agency or organization of
43 this State, which employs persons engaged in service to the public,
44 shall be eligible to participate in the Public Employees' Retirement
45 System; provided the employer consents thereto by resolution and
46 files a certified copy of such resolution with the board of trustees of
47 the Public Employees' Retirement System and the board of trustees
48 approves thereof by resolution. Such organization shall be referred

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1 to in this act as the employer. If the participation of such
2 employees is so approved then the employer shall contribute to the
3 contingent reserve fund on account of its members at the same rate
4 per centum as would be paid by employers other than the State.

5 (b) Notwithstanding the provisions of subsection (a) of this
6 section, every person becoming an employee of a public agency or
7 organization of this State, which employs persons engaged in
8 service to the public, after June 30, 1966, who is not eligible to
9 become a member of any other retirement system, shall be required
10 to participate in the Public Employees' Retirement System.
11 Notwithstanding the provisions of subsection (a) of this section,
12 membership in the Public Employees' Retirement System shall be
13 optional with any person in the employ of any such public agency
14 or organization on June 30, 1966, provided such person is not
15 required to be a member pursuant to another provision of this act,
16 and provided further that such person is not eligible to be a member
17 of any other retirement system. The provisions of this subsection
18 shall not apply to any person whose position is temporary or
19 seasonal, nor to any person in office, position or employment for
20 which the annual salary or remuneration is fixed at less than
21 **[\$1,500.00]** that which is required for membership pursuant to
22 section 7 of P.L.1954, c.84 (C.43:15A-7) as applicable to the
23 member, nor to any person whose position is not covered by the
24 old-age and survivors' insurance provisions of the federal Social
25 Security Act. The public agency or organization employing any
26 such person who becomes a member of the retirement system
27 pursuant to this subsection shall contribute to the contingent reserve
28 fund on account of such employees at the same rate per centum as
29 would be paid by employers other than the State.

30 (cf: P.L.1986, c.139, s.3)

31

32 10. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to
33 read as follows:

34 75. (a) If this act is so adopted it shall become effective in the
35 county or municipality adopting it on June 30 of the following year.
36 Membership in the Public Employees' Retirement System shall be
37 optional with the employees of the county, board of education or
38 municipality in the service on the day the act becomes effective or
39 on June 30, 1966, whichever is earlier, in such county, board of
40 education or municipality except in the case of public employee
41 veterans who on such date are members. An employee who elects
42 to become a member within one year after this act so takes effect
43 shall be entitled to prior service covering service rendered to the
44 county, board of education or municipality prior to July 1, 1966 or
45 prior to the date this act so becomes effective, whichever is earlier.
46 Membership shall be compulsory for all employees entering the
47 service of the county, board of education or municipality on July 1,
48 1966 or after the date this act becomes effective, whichever is

1 earlier. Where any such employee entering the service of the
2 county, board of education or municipality after the date this act so
3 becomes effective has had prior service for which evidence
4 satisfactory to the retirement system is presented, as an employee in
5 such county, board of education or municipality before the date
6 upon which this act so becomes effective, or July 1, 1966,
7 whichever is earlier, such employee shall be entitled to prior service
8 covering service rendered to the county, board of education or
9 municipality prior to the date this act so becomes effective, or July
10 1, 1966, whichever is earlier.

11 (b) Notwithstanding the provisions of section 74 of this act and
12 subsection (a) of this section, every person, other than a non-veteran
13 elected official, becoming an employee of a county, board of
14 education, municipality or school district after June 30, 1966, who
15 is not eligible to become a member of another retirement system,
16 shall be required to become a member of the Public Employees'
17 Retirement System. Notwithstanding the provisions of section 74
18 of this act and subsection (a) of this section, membership in the
19 retirement system shall be optional with any elected official who is
20 not a veteran, regardless of the date he assumes office, and with any
21 other person in the employ of any county, board of education,
22 municipality or school district on June 30, 1966, provided such
23 elected official or other person is not then a member and is not
24 required to be a member of the retirement system pursuant to
25 another provision of this act, and provided further that such person
26 is not eligible to be a member of another retirement system.
27 Elected officials commencing service on or after the effective date
28 of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through
29 C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-
30 135) shall not be eligible for membership in the retirement system
31 based on service in the elective public office, except that an elected
32 official enrolled in the retirement system as of that effective date
33 who continues to hold that elective public office without a break in
34 service shall be eligible to continue membership in the retirement
35 system under the terms and conditions of enrollment.

36 The provisions of this subsection shall not apply to any person
37 whose position is temporary or seasonal, nor to any person in
38 office, position or employment for which the annual salary or
39 remuneration is fixed at less than **[\$1,500.00]** that which is
40 required for membership pursuant to section 7 of P.L.1954, c.84
41 (C.43:15A-7) as applicable to the member, nor to any person whose
42 position is not covered by the old age and survivors' insurance
43 provisions of the federal Social Security Act. No credit shall be
44 allowed to any person becoming a member of the retirement system
45 pursuant to this subsection for service rendered to the employer
46 prior to July 1, 1966, until the provisions of section 74 of this act
47 have been complied with, in which event such credit shall be
48 allowed in accordance with the provisions of subsection (a) of this

1 section; except that the governing body of any county, board of
2 education or municipality may, by resolution, consent to the
3 allowance of such credit and file a certified copy of such resolution
4 with the board of trustees of the Public Employees' Retirement
5 System.

6 (cf: P.L.2007, c.92, s.18)

7

8 11. Section 2 of P.L.2007, c.92 (C.43:15C-2) is amended to read
9 as follows:

10 2. a. The following persons shall be eligible and shall
11 participate in the Defined Contribution Retirement Program:

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

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

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

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

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

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

24 (6) A person in employment, office or position for which the
25 annual salary or remuneration is less than that which is required to
26 become a member of the Teachers' Pension and Annuity Fund or
27 the Public Employees' Retirement System, or to make contributions
28 to those systems as a member on the basis of any such employment,
29 office or position, after the effective date of P.L. , c. (pending
30 before the Legislature as this bill).

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

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

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

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

46 (4) the person is an officer or employee of a political
47 subdivision of this State or of a board of education, or of any
48 agency, authority or instrumentality thereof, who is ineligible for

1 membership in the Public Employees' Retirement System pursuant
2 to section 20 of P.L.2007, c.92 (C.43:15A-7.2).

3 c. A person eligible and required to participate in the
4 retirement program whose base salary is less than \$5,000 may at the
5 commencement of service in an employment, office or position
6 irrevocably elect to waive participation with regard to that
7 employment, office, or position by filing, at the time and on a form
8 required by the division, a written waiver with the Division of
9 Pensions and Benefits that waives all rights and benefits that would
10 otherwise be provided by the retirement program.

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

23 d. Service credited to a participant in the Defined Contribution
24 Retirement Program shall not be recognized as service credit to
25 determine eligibility for employer-paid health care benefits in
26 retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.),
27 N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et al.) or
28 any other law, rule or regulation.
29 (cf: P.L.2007, c.103, s.12)

30

31 12. Section 3 of P.L.1969, c.242 (C.18A:66-169) is amended to
32 read as follows:

33 3. As used in this act:

34 a. "Accumulated deductions" means those contributions as
35 defined in N.J.S.18A:66-2 or in section 6 of P.L.1954, c.84
36 (C.43:15A-6).

37 b. "Base salary" means a participant's regular base or contractual
38 salary. It shall exclude bonus, overtime or other forms of extra
39 compensation such as (1) longevity lump sum payments, (2) lump
40 sum terminal sick leave or vacation pay, (3) the value of
41 maintenance, (4) individual pay adjustments made within or at the
42 conclusion of the participant's final year of service, (5) retroactive
43 salary adjustments or other pay adjustments made in the
44 participant's final year of service unless such adjustment was made
45 as a result of a general pay adjustment for all personnel of the
46 department or institution, (6) any unscheduled individual
47 adjustment made in the final year to place the member at the
48 maximum salary level within his salary range and (7) any pay for

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1 services rendered during the summer vacation period by a
2 participant who is required to work only 10 months of the year.

3 c. "Base annual salary" means the base salary upon which
4 contributions by the member and his employer to the alternate
5 benefit program were based during the last year of creditable
6 service.

7 d. (Deleted by amendment, P.L.1994, c.48).

8 e. "University of Medicine and Dentistry" means the University
9 of Medicine and Dentistry of New Jersey established pursuant to the
10 terms of section 3 of P.L.1970, c.102 (C.18A:64G-3).

11 f. "County colleges" means the colleges so defined in
12 N.J.S.18A:64A-1.

13 g. "Division of Pensions" means the division established in the
14 Department of the Treasury pursuant to section 1 of P.L.1955, c.70
15 (C.52:18A-95) and is the agency responsible for the administration
16 of the alternate benefit program of the State and county colleges
17 and for the administration of the group life and disability insurances
18 of all alternate benefit programs established in the State for public
19 employees.

20 h. "Full-time officers" and "full-time members of the faculty"
21 shall include the president, vice president, secretary and treasurer of
22 the respective school. "Full-time" shall also include eligible full-
23 time officers and full-time members of the faculty who are granted
24 sabbaticals or leaves of absence with pay where the compensation
25 paid is 50% or more of the base salary at the time the leave
26 commences and the period of eligibility terminates with the end of
27 the school year following the year in which the sabbatical began.
28 "Part-time" shall be defined as an appointment where the employee
29 receives a salary or wages for a period of less than 50% of the
30 normal work week. These definitions shall apply to teaching or
31 administrative staff members or to employees serving in a dual
32 capacity where the appointment includes teaching as well as
33 administrative duties.

34 i. "Group Annuity Plan" refers to the Group Annuity Contract
35 R-134 between the Board of Trustees of the New Jersey Institute of
36 Technology and the Prudential Insurance Company of America.

37 j. "Member" or "participant" means a full-time officer or a full-
38 time member of the faculty participating in the alternate benefit
39 program, and after the effective date of P.L. , c. (pending before
40 the Legislature as this bill), means an adjunct faculty member or a
41 part-time instructor whose employment agreement begins after that
42 effective date .

43 k. "New Jersey Institute of Technology" means the Newark
44 College of Engineering.

45 l. "Pension reserve" means those moneys as defined in
46 N.J.S.18A:66-2 or in section 6 of P.L.1954, c.84 (C.43:15A-6).

1 m. "Rutgers, The State University" means the institution of
2 higher education described in chapter 65 of Title 18A of the New
3 Jersey Statutes.

4 n. "State Colleges" means the colleges so described in chapter
5 64 of Title 18A of the New Jersey Statutes.

6 o. "Mutual fund company" means an investment company or
7 trust regulated by the federal "Investment Company Act of 1940,"
8 15 U.S.C. s. 80a-1 et seq.

9 (cf: P.L.1994, c.48, s.187)

10

11 13. (New section) An appeal by any person who is denied
12 membership in the Teachers' Pension and Annuity Fund shall be
13 transmitted as a contested case, along with all relevant materials
14 and documents, by the State Treasurer to the Office of
15 Administrative Law which shall conduct an adjudicatory proceeding
16 thereon pursuant to the Administrative Procedure Act, P.L.1968,
17 C.410 (C.52:14B-1 et seq.).

18

19 14. (New section) An appeal by any person who is denied
20 membership in the Public Employees' Retirement System shall be
21 transmitted as a contested case, along with all relevant materials
22 and documents, by the State Treasurer to the Office of
23 Administrative Law which shall conduct an adjudicatory proceeding
24 thereon pursuant to the Administrative Procedure Act, P.L.1968,
25 C.410 (C.52:14B-1 et seq.).

26

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

29 2. As used in this act:

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

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

33 (c) The term "employee" means an appointive or elective officer
34 **[or] , a full-time employee of the State of New Jersey, or a full-**
35 **time employee of an employer other than the State who appears on**
36 **a regular payroll and receives a salary or wages for an average of**
37 **the number of hours per week as prescribed by the governing body**
38 **of the participating employer which number of hours worked shall**
39 **be considered full-time, determined by resolution, and not less than**

40 **20.** For the purposes of this act an employee of Rutgers, The State
41 University of New Jersey, shall be deemed to be an employee of the
42 State, and an employee of the New Jersey Institute of Technology
43 shall be considered to be an employee of the State during such time
44 as the Trustees of the Institute are party to a contractual agreement
45 with the State Treasurer for the provision of educational services.
46 The term "employee" shall further mean, for purposes of this act, a
47 former employee of the South Jersey Port Corporation, who is
48 employed by a subsidiary corporation or other corporation, which

1 has been established by the Delaware River Port Authority pursuant
2 to subdivision (m) of Article I of the compact creating the Delaware
3 River Port Authority (R.S.32:3-2), as defined in section 3 of
4 P.L.1997, c.150 (C.34:1B-146), and who is eligible for continued
5 membership in the Public Employees' Retirement System pursuant
6 to subsection j. of section 7 of P.L.1954, c.84 (C.43:15A-7).

7 For the purposes of this act the term "employee" shall not
8 include persons employed on a short-term, seasonal, intermittent or
9 emergency basis, persons compensated on a fee basis, persons
10 having less than two months of continuous service or persons whose
11 compensation from the State is limited to reimbursement of
12 necessary expenses actually incurred in the discharge of their
13 official duties, provided, however, that the term "employee" shall
14 include persons employed on an intermittent basis to whom the
15 State has agreed to provide coverage under P.L.1961, c.49
16 (C.52:14-17.25 et seq.) in accordance with a binding collective
17 negotiations agreement. An employee paid on a 10-month basis,
18 pursuant to an annual contract, will be deemed to have satisfied the
19 two-month waiting period if the employee begins employment at
20 the beginning of the contract year. The term "employee" shall also
21 not include retired persons who are otherwise eligible for benefits
22 under this act but who, although they meet the age or disability
23 eligibility requirement of Medicare, are not covered by Medicare
24 Hospital Insurance, also known as Medicare Part A, and Medicare
25 Medical Insurance, also known as Medicare Part B. A determination
26 by the commission that a person is an eligible employee within the
27 meaning of this act shall be final and shall be binding on all parties.

28 (d) (1) The term "dependents" means an employee's spouse,
29 partner in a civil union couple or an employee's domestic partner as
30 defined in section 3 of P.L.2003, c.246 (C.26:8A-3), and the
31 employee's unmarried children under the age of 23 years who live
32 with the employee in a regular parent-child relationship. "Children"
33 shall include stepchildren, legally adopted children and children
34 placed by the Division of Youth and Family Services in the
35 Department of Children and Families, provided they are reported
36 for coverage and are wholly dependent upon the employee for
37 support and maintenance. A spouse, partner in a civil union couple,
38 domestic partner or child enlisting or inducted into military service
39 shall not be considered a dependent during the military service. The
40 term "dependents" shall not include spouses, partners in a civil
41 union couple or domestic partners of retired persons who are
42 otherwise eligible for the benefits under this act but who, although
43 they meet the age or disability eligibility requirement of Medicare,
44 are not covered by Medicare Hospital Insurance, also known as
45 Medicare Part A, and Medicare Medical Insurance, also known as
46 Medicare Part B.

47 (2) Notwithstanding the provisions of paragraph (1) of this
48 subsection to the contrary and subject to the provisions of paragraph

1 (3) of this subsection, for the purposes of an employer other than
2 the State that is participating in the State Health Benefits Program
3 pursuant to section 3 of P.L.1964, c.125 (C.52:14-17.34), the term
4 "dependents" means an employee's spouse or partner in a civil
5 union couple and the employee's unmarried children under the age
6 of 23 years who live with the employee in a regular parent-child
7 relationship. "Children" shall include stepchildren, legally adopted
8 children and children placed by the Division of Youth and Family
9 Services in the Department of Children and Families provided they
10 are reported for coverage and are wholly dependent upon the
11 employee for support and maintenance. A spouse, partner in a civil
12 union couple or child enlisting or inducted into military service
13 shall not be considered a dependent during the military service. The
14 term "dependents" shall not include spouses or partners in a civil
15 union couple of retired persons who are otherwise eligible for
16 benefits under P.L.1961, c.49 (C.52:14-17.25 et seq.) but who,
17 although they meet the age or disability eligibility requirement of
18 Medicare, are not covered by Medicare Hospital Insurance, also
19 known as Medicare Part A, and Medicare Medical Insurance, also
20 known as Medicare Part B.

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

27 (e) The term "carrier" means a voluntary association,
28 corporation or other organization, including a health maintenance
29 organization as defined in section 2 of the "Health Maintenance
30 Organizations Act," P.L.1973, c.337 (C.26:2J-2), which is lawfully
31 engaged in providing or paying for or reimbursing the cost of,
32 personal health services, including hospitalization, medical and
33 surgical services, under insurance policies or contracts, membership
34 or subscription contracts, or the like, in consideration of premiums
35 or other periodic charges payable to the carrier.

36 (f) The term "hospital" means (1) an institution operated
37 pursuant to law which is primarily engaged in providing on its own
38 premises, for compensation from its patients, medical diagnostic
39 and major surgical facilities for the care and treatment of sick and
40 injured persons on an inpatient basis, and which provides such
41 facilities under the supervision of a staff of physicians and with 24
42 hour a day nursing service by registered graduate nurses, or (2) an
43 institution not meeting all of the requirements of (1) but which is
44 accredited as a hospital by the Joint Commission on Accreditation
45 of Hospitals. In no event shall the term "hospital" include a
46 convalescent nursing home or any institution or part thereof which
47 is used principally as a convalescent facility, residential center for
48 the treatment and education of children with mental disorders, rest

1 facility, nursing facility or facility for the aged or for the care of
2 drug addicts or alcoholics.

3 (g) The term "State managed care plan" means a health care
4 plan under which comprehensive health care services and supplies
5 are provided to eligible employees, retirees, and dependents: (1)
6 through a group of doctors and other providers employed by the
7 plan; or (2) through an individual practice association, preferred
8 provider organization, or point of service plan under which services
9 and supplies are furnished to plan participants through a network of
10 doctors and other providers under contracts or agreements with the
11 plan on a prepayment or reimbursement basis and which may
12 provide for payment or reimbursement for services and supplies
13 obtained outside the network. The plan may be provided on an
14 insured basis through contracts with carriers or on a self-insured
15 basis, and may be operated and administered by the State or by
16 carriers under contracts with the State.

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

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

28 (j) The term "successor plan" means a State managed care plan
29 that shall replace the traditional plan and that shall provide benefits
30 as set forth in subsection (B) of section 5 of P.L.1961, c.49
31 (C.52:14-17.29) with provisions regarding reimbursements and
32 payments as set forth in paragraph (1) of subsection (C) of section 5
33 of P.L.1961, c.49 (C.52:14-17.29).
34 (cf: P.L.2007, c.103, s.19)

35
36 16. (New section) Any person who knowingly obtains, or
37 attempts or conspires to obtain, coverage or benefits under the State
38 Health Benefits Program for himself or another, knowing that the
39 person for whom membership or benefits are sought is ineligible
40 therefor, shall be guilty of a crime of the fourth degree. Nothing in
41 this section shall preclude prosecution or conviction for any other
42 offense.

43
44 17. (New section) The State Health Benefits Commission shall
45 establish an audit program through which it shall conduct a
46 continuous review of the various public employers participating in
47 the State Health Benefits Program for the purpose of ensuring that
48 only eligible employees and retirees, and their dependents, are

1 receiving health care coverage under the program. Every public
2 entity whose employees are covered by the program, as well as
3 employees and retirees thereof, and their dependents, and any other
4 public entity having relevant information, shall cooperate fully with
5 the commission and shall provide all information, records and
6 documents requested by the commission in connection with an
7 audit.

8
9 18. Section 39 of P.L.1971, c.121 (C.18A:66-6.1) is amended to
10 read as follows:

11 39. a. In the case of any person who was required to become a
12 member of the retirement system as a condition of employment, and
13 whose application for enrollment in the retirement system or whose
14 application for transfer from one employer to another within the
15 system was filed beyond the effective date for his compulsory
16 enrollment in the system or his transfer within the system, such
17 person shall be required to purchase membership credit for his
18 compulsory coverage by paying into the annuity savings fund the
19 amount required by applying, in accordance with section 18A:66-
20 29, his rate of contribution on his current base salary subject to the
21 retirement system for each year of previous service during which
22 he was required to have been a member.

23 b. If more than 1 year has elapsed from the time that
24 contributions would have been required from such person, $1/2$ of
25 the employee's cost established by the computation provided by
26 subsection a. of this section, will be required of his employer and
27 shall be included in the next budget subsequent to the certification
28 of this special liability by the retirement system. The amount
29 certified by the system shall be payable by the employer to the
30 contingent reserve fund and shall be due and owing to the system
31 even if the employee is no longer in the employ of the employer by
32 the date such moneys are to be paid to the system.

33 c. The employee's obligation may be satisfied by regular
34 installments, equal to at least $1/2$ of the normal contribution to
35 the retirement system, over a maximum period of 10 years, but not
36 more than 2 years in the case of any employee who has attained or
37 will attain age 60 within the 2-year period or, for a person who
38 became a member of the retirement system on or after the effective
39 date of P.L. _____, c. _____ (pending before the Legislature as this bill),
40 has attained or will attain age 62 within the 2-year period.

41 d. In the case of any person coming under the provisions of this
42 section, full pension credit for the period of employment for which
43 arrears are being paid by the employee shall be given upon the
44 payment of at least $1/2$ of the total employee's arrearage obligation
45 and the completion of 1 year of membership and the making of such
46 arrears payments, except that in the case of retirement pursuant to
47 sections 18A:66-36, 18A:66-37, 18A:66-44 and 18A:66-71, the
48 total membership credit for such service shall be in direct

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1 proportion as the amount paid bears to the total amount of the
2 arrearage obligation of the employee.

3 (cf: P.L.1971, c.121, s.39)

4

5 19. N.J.S.18A:66-36 is amended to read as follows:

6 18A:66-36. Should a member of the Teachers' Pension and
7 Annuity Fund, after having completed 10 years of service, be
8 separated voluntarily or involuntarily from the service, before
9 reaching service retirement age, and not by removal for conduct
10 unbecoming a teacher or other just cause under the provisions of
11 sections 18A:28-4 to 18A:28-5 and 18A:28-9 to 18A:28-13
12 inclusive, such person may elect to receive, in lieu of the payment
13 provided in section 18A:66-34:

14 a. The payments provided for in section 18A:66-37, if he so
15 qualified under said section; or

16 b. A deferred retirement allowance beginning at age 60, or for
17 a person who becomes a member of the retirement system on or
18 after the effective date of P.L. _____, c. _____ (pending before the
19 Legislature as this bill) beginning at age 62, which shall be made
20 up of an annuity derived from the member's accumulated
21 deductions at the time of his severance from the service, and a
22 pension in the amount which, when added to the member's annuity,
23 will provide a total retirement allowance of 1/64 of his final
24 compensation for each year of service credited as Class A service
25 and 1/55 of his final compensation for each year of service credited
26 as class B service, calculated in accordance with section 18A:66-44,
27 with optional privileges provided for in section 18A:66-47 if he
28 exercises such optional privilege at least 30 days before his
29 attainment of the normal retirement age; provided, that such
30 election is communicated by such member to the retirement system
31 in writing stating at what time subsequent to the execution and
32 filing thereof he desires to be retired; and provided, further, that
33 such member may later elect: (1) to receive the payments provided
34 for in section 18A:66-37, if he had qualified under that section at
35 the time of leaving service, except that in order to avail himself of
36 the optional privileges pursuant to section 18A:66-47, he must
37 exercise such optional privilege at least 30 days before the effective
38 date of his retirement; or (2) to withdraw his accumulated
39 deductions with interest as provided in section 18A:66-34. If such
40 member shall die before attaining service retirement age, then his
41 accumulated deductions, plus regular interest after January 1, 1956,
42 shall be paid in accordance with section 18A:66-38, and, in addition
43 if such member shall die after attaining service retirement age and
44 has not withdrawn his accumulated deductions, an amount equal to
45 3/16 of the compensation upon which contributions by the member
46 to the annuity savings fund were based in the last year of creditable
47 service shall be paid to such member's beneficiary.

1 Any member who, having elected to receive a deferred
2 retirement allowance, again becomes an employee covered by the
3 retirement system while under the age of 60 or, if that person
4 became a member of the retirement system on or after the effective
5 date of P.L. , c. (pending before the Legislature as this bill),
6 while under the age of 62, shall thereupon be reenrolled. If he had
7 discontinued his service for more than two consecutive years,
8 subsequent contributions shall be at a rate applicable to the age
9 resulting from the subtraction of his years of creditable service at
10 the time of his last discontinuance of contributing membership from
11 his age at the time of his return to service. He shall be credited with
12 all service as a member standing to his credit at the time of his
13 election to receive a deferred retirement allowance.

14 (cf: P.L.2001, c.133, s.4)

15

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

17 18A:66-37. Should a member resign after having established 25
18 years of creditable service before reaching age 60, or before
19 reaching the age of 62 if the person became a member of the
20 retirement system on or after the effective date of
21 P.L. , c. (pending before the Legislature as this bill), the
22 member may elect "early retirement," provided, that such election is
23 communicated by such member to the retirement system by filing a
24 written application, duly attested, stating at what time subsequent to
25 the execution and filing thereof the member desires to be retired.
26 The member shall receive, in lieu of the payment provided in
27 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the
28 member's accumulated deductions and a pension in the amount
29 which, when added to the member's annuity, will provide a total
30 retirement allowance of 1/64 of the member's final compensation
31 for each year of service credited as class A service and 1/55 of the
32 member's final compensation for each year of service credited as
33 class B service, calculated in accordance with N.J.S.18A:66-44,
34 reduced:

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

37 (b) for a person who becomes a member of the retirement
38 system on or after July 1, 2007, by 1/4 of 1% for each month that
39 the member lacks of being age 55 and by 1/12 of 1% for each
40 month that the member lacks of being age 60 but over age 55; or

41 (c) for a person who becomes a member of the retirement system
42 on or after the effective date of P.L. , c. (pending before the
43 Legislature as this bill), by 1/4 of 1% for each month that the
44 member lacks of being age 55 and by 1/12 of 1% for each month
45 that the member lacks of being age 62 but over age 55; provided,
46 however, that upon the receipt of proper proofs of the death of such
47 a member there shall be paid to the member's beneficiary an amount
48 equal to 3/16 of the compensation upon which contributions by the

1 member to the annuity savings fund were based in the last year of
2 creditable service or in the year of the member's highest contractual
3 salary, whichever is higher.

4 Subparagraph (b) or (c) of this section shall not apply to a person
5 who at the time of enrollment in the retirement system on or after
6 July 1, 2007 transfers service credit from another State-
7 administered retirement system pursuant to N.J.S.18A:66-15.1, but
8 shall apply to a former member of the retirement system who has
9 been granted a retirement allowance and is reenrolled in the
10 retirement system on or after July 1, 2007 pursuant to
11 N.J.S.18A:66-53.2 after becoming employed again in a position that
12 makes the person eligible to be a member of the retirement system.

13 The board of trustees shall retire the member at the time
14 specified or at such other time within one month after the date so
15 specified as the board finds advisable.

16 (cf: P.L.2007, c.103, s.7)

17

18 21. N.J.S.18A:66-43 is amended to read as follows:

19 18A:66-43. Retirement for service shall be as follows: (a) A
20 **【member who】** person who was a member before the effective date
21 of P.L. , c. (pending before the Legislature as this bill) and has
22 attained 60 years of age may retire on a service retirement
23 allowance by filing with the retirement system a written
24 application, duly attested, stating at which time subsequent to the
25 execution and filing thereof he desires to be retired. The board of
26 trustees shall retire him at the time specified or at such other time
27 within 1 month after the date so specified as the board finds
28 advisable.

29 (b) **【Any member in service who attains 70 years of age shall be**
30 **retired by the board of trustees on a service retirement allowance**
31 **forthwith on the first day of the next calendar month, or at such**
32 **time within 1 year thereafter as it deems advisable】** A person who
33 becomes a member on or after the effective date of
34 P.L. , c. (pending before the Legislature as this bill) and has
35 attained 62 years of age may retire on a service retirement
36 allowance by filing with the retirement system a written application,
37 duly attested, stating at which time subsequent to the execution and
38 filing thereof the member desires to be retired. The board of trustees
39 shall retire the member at the time specified or at such other time
40 within 1 month after the date so specified as the board finds
41 advisable.

42 (cf: P.L.1971, c.121, s.24)

43

44 22. Section 48 of P.L.1971, c.213 (C.43:15A-7.1) is amended to
45 read as follows:

46 48. a. In the case of any person who was required to become a
47 member of the retirement system as a condition of employment, and
48 whose application for enrollment in the retirement system or whose

1 application for transfer from one employer to another within the
2 system was filed beyond the effective date for his compulsory
3 enrollment in the system or his transfer within the system, such
4 person shall be required to purchase membership credit for his
5 compulsory coverage by paying into the annuity savings fund the
6 amount required by applying, in accordance with section 25 of
7 chapter 84 of the laws of 1954, his rate of contribution on his
8 current base salary subject to the retirement system for each year of
9 previous service during which he was required to have been a
10 member.

11 b. If more than 1 year has elapsed from the time that
12 contributions would have been required from such person, $1/2$ of
13 the employee's cost, established by the computation provided by
14 subsection a. of this section, will be required of his employer and
15 shall be included in the next budget subsequent to the certification
16 of this special liability by the retirement system. The amount
17 certified by the system shall be payable by the employer to the
18 contingent reserve fund and shall be due and owing to the system
19 even if the employee is no longer in the employ of the employer by
20 the date such moneys are to be paid to the system.

21 c. The employees' obligation may be satisfied by regular
22 installments, equal to at least $1/2$ the normal contribution to the
23 retirement system, over a maximum period of 10 years but not more
24 than 2 years in the case of any employee who has attained or will
25 attain age 60 within the 2-year period, or in the case of any
26 employee who became a member of the retirement system on or
27 after the effective date of P.L. _____, c. _____ (pending before the
28 Legislature as this bill), has attained or will attain age 62 within the
29 2-year period.

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

40 (cf: P.L.1971, c.213, s.48)

41

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

44 41. a. A member who withdraws from service or ceases to be an
45 employee for any cause other than death or retirement shall, upon
46 the filing of an application therefor, receive all of his accumulated
47 deductions standing to the credit of his individual account in the
48 annuity savings fund, plus regular interest, less any outstanding

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

16 b. Should a member resign after having established 25 years of
17 creditable service before reaching age 60, or before reaching age 62
18 if the person became a member of the retirement system on or after
19 the effective date of P.L. , c. (pending before the Legislature as
20 this bill), he may elect "early retirement," provided, that such
21 election is communicated by such member to the retirement system
22 by filing a written application, duly attested, stating at what time
23 subsequent to the execution and filing thereof he desires to be
24 retired. He shall receive, in lieu of the payment provided in
25 subsection a. of this section, an annuity which is the actuarial
26 equivalent of his accumulated deductions together with regular
27 interest, and a pension in the amount which, when added to the
28 member's annuity, will provide a total retirement allowance of 1/64
29 of his final compensation for each year of service credited as Class
30 A service and 1/55 of his final compensation for each year of
31 service credited as Class B service, calculated in accordance with
32 section 48 (C.43:15A-48) of this act, reduced:

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

35 (b) for a person who becomes a member of the retirement
36 system on or after July 1, 2007, by 1/4 of 1% for each month that
37 the member lacks of being age 55 and by 1/12 of 1% for each
38 month that the member lacks of being age 60 but over age 55; or

39 (c) for a person who becomes a member of the retirement system
40 on or after the effective date of P.L. , c. (pending before the
41 Legislature as this bill), by 1/4 of 1% for each month that the
42 member lacks of being age 55 and by 1/12 of 1% for each month
43 that the member lacks of being age 62 but over age 55; provided,
44 however, that upon the receipt of proper proofs of the death of such
45 a member there shall be paid to his beneficiary an amount equal to
46 three-sixteenths of the compensation upon which contributions by
47 the member to the annuity savings fund were based in the last year
48 of creditable service.

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

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

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

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

20 (2) An amount equal to one and one-half times the
21 compensation upon which contributions by the member to the
22 annuity savings fund were based in the last year of creditable
23 service.

24 (cf: P.L.2007, c.103, s.8)

25

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

28 47. a. A **【member who】** person who was a member before the
29 effective date of P.L. , c. (pending before the Legislature as this
30 bill) and has attained 60 years of age may retire on a service
31 retirement allowance by filing with the retirement system a written
32 application, duly attested, stating at which time subsequent to the
33 execution and filing thereof the member desires to be retired. The
34 board of trustees shall retire him at the time specified or at such
35 other time within one month after the date so specified as the board
36 finds advisable.

37 b. **【Any member in service who attains 70 years of age shall be**
38 **retired by the board of trustees on a service retirement allowance**
39 **forthwith on the first day of the next calendar month, or at such**
40 **time within one month thereafter as it finds advisable, except that**
41 **an employee attaining 70 years of age, other than a judge of the**
42 **Office of Administrative Law or a judge of the Division of Workers'**
43 **Compensation, may be continued in service on an annual basis upon**
44 **written notice to the retirement system by the head of the State**
45 **department or employer where the employee is employed】** A person
46 who becomes a member on or after the effective date of
47 P.L. , c. (pending before the Legislature as this bill) and has
48 attained 62 years of age may retire on a service retirement

1 allowance by filing with the retirement system a written application,
2 duly attested, stating at which time subsequent to the execution and
3 filing thereof the member desires to be retired. The board of
4 trustees shall retire the member at the time specified or at such
5 other time within one month after the date so specified as the board
6 finds advisable.

7 (cf: P.L.1999, c.38, s.16)

8

9 25. (New section) a. Paid holidays granted to all State
10 government employees each calendar year shall be limited to the
11 following:

12 (1) January 1, known as New Year's Day;

13 (2) the third Monday in January, known as Martin Luther King's
14 Birthday;

15 (3) the third Monday in February, known as Washington's
16 Birthday, which shall be known and celebrated as Presidents Day in
17 this State;

18 (4) the day designated and known as Good Friday;

19 (5) the last Monday in May, known as Memorial Day;

20 (6) July 4, known as Independence Day;

21 (7) the first Monday in September, known as Labor Day;

22 (8) the second Monday in October, known as Columbus Day;

23 (9) November 11, known as Armistice Day or Veterans' Day;

24 (10) the fourth Thursday in November, known as Thanksgiving
25 Day;

26 (11) December 25, known as Christmas Day; and

27 (12) any general election day in this State.

28 b. The provisions of this section shall not impair any collective
29 bargaining agreement or contract in effect on the effective date of
30 P.L. , c. (pending before the Legislature as this bill). The
31 provision of this section shall take effect in the calendar year
32 following the expiration of the collective bargaining agreements or
33 contracts covering a majority of the Executive Branch employees in
34 effect on the effective date of P.L. , c. (pending before the
35 Legislature as this bill).

36

37 26. R.S.36:1-1 is amended to read as follows:

38 36:1-1. a. The following days in each year shall, for all
39 purposes whatsoever as regards the presenting for payment or
40 acceptance, and of the protesting and giving notice of dishonor, of
41 bills of exchange, bank checks and promissory notes be treated and
42 considered as the first day of the week, commonly called Sunday,
43 and as public holidays, except as provided under subsection d. of
44 this section: January 1, known as New Year's Day; the third
45 Monday in January, known as Martin Luther King's Birthday;
46 February 12, known as Lincoln's Birthday; the third Monday in
47 February, known as Washington's Birthday; the day designated and
48 known as Good Friday; the last Monday in May, known as

1 Memorial Day; July 4, known as Independence Day; the first
2 Monday in September, known as Labor Day; the second Monday in
3 October, known as Columbus Day; November 11, known as
4 Armistice Day or Veterans' Day; the fourth Thursday in November,
5 known as Thanksgiving Day; December 25, known as Christmas
6 Day; any general election day in this State; every Saturday; and any
7 day heretofore or hereafter appointed, ordered or recommended by
8 the Governor of this State, or the President of the United States, as a
9 day of fasting and prayer, or other religious observance, or as a
10 bank holiday or holidays. All such bills, checks and notes,
11 otherwise presentable for acceptance or payment on any of the days
12 herein enumerated, shall be deemed to be payable and be
13 presentable for acceptance or payment on the secular or business
14 day next succeeding any such holiday.

15 b. Whenever any of the days herein enumerated can and shall
16 fall on a Sunday, the Monday next following shall, for any of the
17 purposes herein enumerated be deemed a public holiday, except as
18 provided under subsection d. of this section; and bills of exchange,
19 checks and promissory notes which otherwise would be presentable
20 for acceptance or payment on such Monday shall be deemed to be
21 presentable for acceptance or payment on the secular or business
22 day next succeeding such holiday.

23 c. In construing this section, every Saturday shall, until 12
24 o'clock noon, be deemed a secular or business day, except as is
25 hereinbefore provided in regard to bills of exchange, bank checks
26 and promissory notes, and the days herein enumerated except bank
27 holidays and Saturdays shall be considered as the first day of the
28 week, commonly called Sunday, and public holidays, for all
29 purposes whatsoever as regards the transaction of business in the
30 public offices of this State, or counties of this State, except as
31 provided under subsection d. of this section; but on all other days or
32 half days, except Sunday or as otherwise provided by law, such
33 offices shall be kept open for the transaction of business.

34 d. Notwithstanding the provisions of subsections a. through c. of
35 this section, when the provision of section 26 of
36 P.L. , c. (pending before the Legislature as this bill) takes effect,
37 the following day each calendar year shall not be considered a
38 public holiday for the purposes of conducting State government
39 business:

40 February 12, known as Lincoln's Birthday.

41 All public offices of State government in this State shall be open
42 on this day for the transaction of business.

43 (cf: P.L.1984, c.97, s.1)

44

45 27. Section 1 of P.L.1978, c.135 (C.36:1-1.2) is amended to read
46 as follows:

47 1. Whenever any legal holiday enumerated in R.S. 36:1-1 other
48 than Saturday, and other than those days enumerated under

1 subsection d. of R.S.36:1-1, can and shall fall on a Saturday, the
2 preceding Friday shall be deemed to be said holiday for State
3 employees, and the public offices of the State government shall be
4 closed for the transaction of business.

5 (cf: P.L.1978, c.135, s.1)

6
7 28. This act shall take effect on first day of second month
8 following enactment.

9
10
11 STATEMENT

12
13 This bill, entitled “The Public Employee Pension and Benefits
14 Reform Act of 2008,” implements an additional six major
15 recommendations made in the report of the Joint Legislative
16 Committee on Public Employee Benefits Reform issued during the
17 New Jersey Legislature’s 2006 Special Session. The new minimum
18 salary and hour requirements for pension membership and the
19 elimination of a paid State worker holiday provided for in the bill
20 actually exceed the committee’s recommendation on these issues.
21 The reforms implemented by the bill represent substantial progress
22 toward achieving the cost-savings and efficiencies deemed essential
23 by the joint committee to streamline State government operations
24 and reduce the tax burden on this State’s citizens while preserving
25 the promised benefits of current public employees and the solvency
26 of the public pension systems.

27 This bill prohibits pension system credit purchased for out-of-
28 State service from being creditable towards post-retirement health
29 care benefits. Service credit in the Teachers’ Pension and Annuity
30 Fund (TPAF) and the Public Employees’ Retirement System
31 (PERS), established through purchase on or after the bill’s effective
32 date by a current or future member for prior employment with
33 another state or the federal government, or for service with a bi-
34 state or multi-state agency in the case of a member of PERS, cannot
35 be used to meet the requirements for employer-paid health care
36 benefits in retirement.

37 This bill also provides that the State as an employer, or an
38 independent State authority, commission, board or instrumentality,
39 may allow any employee who is eligible for other health care
40 coverage that is not under the State Health Benefits Program
41 (SHBP) to waive the SHBP coverage to which the employee is
42 entitled by virtue of employment with the State or other State entity.
43 In consideration of filing a waiver, the State or other employer may
44 pay the employee annually an amount established at its sole
45 discretion and not in excess of 50% of the amount saved because of
46 the employee's waiver of coverage.

47 Current law permits public employers other than the State
48 participating in the SHBP to offer a waiver incentive. Under the

1 bill, the arrangement after a waiver is the same for both State and
2 local employees. An employee who waives coverage will be
3 permitted to resume coverage immediately, if the employee ceases
4 to have other health care coverage, but will be required to repay, on
5 a pro rata basis, any amount received from the employer which
6 represents an advance payment for a period of time during which
7 coverage is resumed. The decision of an employer to allow its
8 employees to waive SHBP coverage and the amount of
9 consideration to be paid is not subject to the collective bargaining
10 process.

11 This bill raises the retirement age for a benefit without any
12 reduction, from age 60 to age 62, for members of the TPAF and the
13 PERS who became a member of one system or the other on or after
14 the effective date of this bill.

15 Under current law, members of either system who became
16 members before July 1, 2007 may retire at age 55 years with 25
17 years of service or at age 60 with any number of years of service
18 without a reduction in the amount of retirement allowance the
19 members' receive. There is a reduction in such an allowance if the
20 member is under 55 with 25 years of service. Under current law,
21 there is also a reduction in an allowance for members of either
22 system who became members on or after July 1, 2007 and who
23 retire between age 55 and 60 years with 25 or more years of service.
24 If a person became a member on or after the effective date of this
25 bill, that person must be at least 62 years of age in order to retire
26 without a reduction in his or her retirement allowance.

27 This bill changes the eligibility criteria for becoming a member
28 of the TPAF and of the PERS. Currently, the eligibility criteria are
29 a minimum annual compensation of \$500 for TPAF and \$1,500 for
30 PERS. Those same criteria will continue to apply to a person who
31 is a TPAF or PERS member on the effective date of the bill and
32 continuously thereafter.

33 The bill provides that, after its effective date, a person who was
34 not a member of either retirement system on that effective date, or
35 who was a member on that date but not continuously thereafter, and
36 who is in public employment, office or position covered by TPAF
37 or PERS for which the annual salary or remuneration is certified by
38 the public entity at \$7,500 or more, will be eligible to become a
39 member of the relevant retirement system. The \$7,500 minimum
40 annual salary or remuneration amount will be adjusted annually by
41 the Director of the Division of Pensions and Benefits, by regulation,
42 in accordance with changes in the Consumer Price Index but by no
43 more than 4 percent. "Consumer Price Index" means the average of
44 the annual increase, expressed as a percentage, in the consumer
45 price index for all urban consumers in the New York City and
46 Philadelphia metropolitan statistical areas during the preceding
47 calendar year as reported by the United States Department of Labor.

1 Under the bill, persons ineligible for TPAF or PERS based on the
2 new criteria may be eligible for enrollment in the Defined
3 Contribution Retirement Program (DCRP).

4 In addition, the bill provides that an adjunct faculty member or
5 part-time instructor at a public institution of higher education in the
6 State whose employment agreement begins after that effective date
7 will be eligible for membership in the Alternate Benefit Program
8 (ABP), instead of PERS. The bill also provides that an appeal by
9 any person who is denied membership in TPAF or PERS will be
10 transmitted as a contested case to the Office of Administrative Law
11 for an adjudicatory proceeding.

12 The bill puts into statute the current eligibility criteria for SHBP
13 coverage, now contained in regulation, for an employee of an
14 employer other than the State, who must work the number of hours
15 per week as prescribed by the governing body of the participating
16 employer, which number of hours worked will be considered full-
17 time, determined by resolution and not less than 20.

18 The bill provides that any person who knowingly obtains SHBP
19 coverage for an ineligible person, himself or another, will be guilty
20 of a crime of the fourth degree, punishable by imprisonment for up
21 to 18 months or a fine of up to \$10,000, or both. The bill requires
22 the SHBP to establish an audit program to ensure that only eligible
23 employees and retirees, and their dependents, are receiving health
24 care coverage under the program.

25 Finally, this bill would lower, from 13 to 12, the number of paid
26 holidays for all State government public employees. Under the bill,
27 the legal holiday known as Lincoln's Birthday would no longer be
28 considered a public holiday for the purposes of conducting State
29 government business. On that day, State government offices are to
30 remain open. In honor of President Lincoln and all Presidents, the
31 bill provides for the third Monday in February, known as
32 Washington's Birthday, to be known and celebrated as Presidents
33 Day for the purpose of a paid holiday for State employees. This
34 provision of the bill will take effect in the calendar year after the
35 collective bargaining agreements or contracts covering a majority of
36 the Executive Branch employees expire.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2818

STATE OF NEW JERSEY

DATED: JUNE 19, 2008

The Assembly Budget Committee reports favorably Assembly Bill No. 2818.

This bill, entitled “The Public Employee Pension and Benefits Reform Act of 2008,” implements an additional six major recommendations made in the report of the Joint Legislative Committee on Public Employee Benefits Reform issued during the New Jersey Legislature’s 2006 Special Session. The new minimum salary and hour requirements for pension membership and the elimination of a paid State worker holiday provided for in the bill actually exceed the committee’s recommendation on these issues. The reforms implemented by the bill represent substantial progress toward achieving the cost-savings and efficiencies deemed essential by the joint committee to streamline State government operations and reduce the tax burden on this State’s citizens while preserving the promised benefits of current public employees and the solvency of the public pension systems.

This bill prohibits pension system credit purchased for out-of-State service from being creditable towards post-retirement health care benefits. Service credit in the Teachers’ Pension and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), established through purchase on or after the bill’s effective date by a current or future member for prior employment with another state or the federal government, or for service with a bi-state or multi-state agency in the case of a member of PERS, cannot be used to meet the requirements for employer-paid health care benefits in retirement.

This bill also provides that the State as an employer, or an independent State authority, commission, board or instrumentality, may allow any employee who is eligible for other health care coverage that is not under the State Health Benefits Program (SHBP) to waive the SHBP coverage to which the employee is entitled by virtue of employment with the State or other State entity. In consideration of filing a waiver, the State or other employer may pay the employee annually an amount established at its sole discretion and not in excess of 50% of the amount saved because of the employee’s waiver of coverage.

Current law permits public employers other than the State participating in the SHBP to offer a waiver incentive. Under the bill,

the arrangement after a waiver is the same for both State and local employees. An employee who waives coverage will be permitted to resume coverage immediately, if the employee ceases to have other health care coverage, but will be required to repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. The decision of an employer to allow its employees to waive SHBP coverage and the amount of consideration to be paid is not subject to the collective bargaining process.

This bill raises the retirement age for a benefit without any reduction, from age 60 to age 62, for members of the TPAF and the PERS who became a member of one system or the other on or after the effective date of this bill.

Under current law, members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. Under current law, there is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service. If a person became a member on or after the effective date of this bill, that person must be at least 62 years of age in order to retire without a reduction in his or her retirement allowance.

This bill changes the eligibility criteria for becoming a member of the TPAF and of the PERS. Currently, the eligibility criteria are a minimum annual compensation of \$500 for TPAF and \$1,500 for PERS. Those same criteria will continue to apply to a person who is a TPAF or PERS member on the effective date of the bill and continuously thereafter.

The bill provides that, after its effective date, a person who was not a member of either retirement system on that effective date, or who was a member on that date but not continuously thereafter, and who is in public employment, office or position covered by TPAF or PERS for which the annual salary or remuneration is certified by the public entity at \$7,500 or more, will be eligible to become a member of the relevant retirement system. The \$7,500 minimum annual salary or remuneration amount will be adjusted annually by the Director of the Division of Pensions and Benefits, by regulation, in accordance with changes in the Consumer Price Index but by no more than 4 percent. "Consumer Price Index" means the average of the annual increase, expressed as a percentage, in the consumer price index for all urban consumers in the New York City and Philadelphia metropolitan statistical areas during the preceding calendar year as reported by the United States Department of Labor.

Under the bill, persons ineligible for TPAF or PERS based on the new criteria may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).

In addition, the bill provides that an adjunct faculty member or part-time instructor at a public institution of higher education in the State whose employment agreement begins after that effective date will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS. The bill also provides that an appeal by any person who is denied membership in TPAF or PERS will be transmitted as a contested case to the Office of Administrative Law for an adjudicatory proceeding.

The bill puts into statute the current eligibility criteria for SHBP coverage, now contained in regulation, for an employee of an employer other than the State, who must work the number of hours per week as prescribed by the governing body of the participating employer, which number of hours worked will be considered full-time, determined by resolution and not less than 20.

The bill provides that any person who knowingly obtains SHBP coverage for an ineligible person, himself or another, will be guilty of a crime of the fourth degree, punishable by imprisonment for up to 18 months or a fine of up to \$10,000, or both. The bill requires the SHBP to establish an audit program to ensure that only eligible employees and retirees, and their dependents, are receiving health care coverage under the program.

Finally, this bill would lower, from 13 to 12, the number of paid holidays for all State government public employees. Under the bill, the legal holiday known as Lincoln's Birthday would no longer be considered a public holiday for the purposes of conducting State government business. On that day, State government offices are to remain open. In honor of President Lincoln and all Presidents, the bill provides for the third Monday in February, known as Washington's Birthday, to be known and celebrated as Presidents Day for the purpose of a paid holiday for State employees. This provision of the bill will take effect in the calendar year after the collective bargaining agreements or contracts covering a majority of the Executive Branch employees expire.

FISCAL IMPACT

On the provisions of the bill concerning the purchase of out-of-State service credit, according to the Division of Pensions and Benefits, data is not available to estimate savings. However, if this change is enacted, it will reduce the number of employees qualifying for State-paid post retirement medical benefits, which will result in savings.

On the provisions of the bill concerning the increase in retirement age, from 60 to 62, the Division of Pensions and Benefits estimates the additional savings to the State and local governments to be \$600,000

and \$820,000 respectively beginning in 2011. The OLS notes that the cost savings are not realized until FY 2011. This is because if the bill becomes effective as of July 1, 2008, the positions that will be affected by the bill will not be reflected in the valuation report until July 1, 2009. There is a two year lag between when the valuation report is generated and when the State contributions become due.

On the provisions of the bill concerning paid holidays for State employees, Department of Treasury anticipates that this bill would reduce State overtime costs by about \$1.4 million annually once its provisions become effective. There may be a modest expenditure increase related to operating public offices for an additional day.

On the provisions of the bill concerning membership eligibility for PERS and TPAF according to the Division of Pensions and Benefits, sufficient data is not available to project savings accurately.

On the provisions of the bill with regard to the requirement that SHBP conduct an annual audit to identify ineligible participants in the program, no data is available at this time to estimate any additional cost to the Division of Pension and Benefits for the annual audit or the savings that maybe realized as a result thereof. This bill may result in savings over time if ineligible SHBP participants are identified and removed from the system.

FISCAL NOTE
ASSEMBLY, No. 2818
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: SEPTEMBER 12, 2008

SUMMARY

- Synopsis:** Makes changes to PERS and TPAF concerning retirement age, eligibility, purchase of service credit; makes various changes to SHBP administration; merges Washington and Lincoln holidays for State employees in Presidents Day.
- Type of Impact:** Expenditure reduction; State General Fund.
- Agencies Affected:** Division of Pensions and Benefits; Department of Treasury.

Executive Estimate

Fiscal Impact	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State Savings		See comments below	
Local Savings		See comments below	

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- This bill prohibits eligibility for credit purchased in the Teacher's Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) for certain out-of-State service from being creditable towards eligibility for post-retirement health care benefits.
- This bill allows State employees who are eligible for other health care coverage to waive State Health Benefits Program (SHBP) coverage, as specified.
- This bill raises the retirement age for a retirement allowance without any reduction, from age 60 to age 62, for new members of the TPAF and the PERS.
- This bill changes the eligibility criteria for new employees for PERS and TPAF membership, from a minimum annual compensation of \$500 for TPAF and \$1,500 for PERS to \$7,500 or more, as specified. Those ineligible for PERS or TPAF, but earning at least \$1,500 per year may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).
- The bill provides that new adjunct faculty members or part-time instructors at a public institution of higher education in the State whose employment agreement begins after the

effective date of this bill will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS.

- The bill requires a local government employee to work a full-time work week, as specified by the employer of at least 20 hours, to be eligible for health care benefits through the SHBP. SHBP is required to audit its membership to identify ineligible participants.
- This bill lowers, from 13 to 12, the number of paid holidays for all State government employees by merging the Washington's and Lincoln's Birthday holidays into President's Day.

BILL DESCRIPTION

Assembly Bill No. 2818 of 2008, entitled "The Public Employee Pension and Benefits Reform Act of 2008," implements an additional six major recommendations made in the report of the Joint Legislative Committee on Public Employee Benefits Reform issued during the New Jersey Legislature's 2006 Special Session.

This bill prohibits pension system credit purchased for out-of-State service from being creditable towards post-retirement health care benefits. Service credit in the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), established through purchase on or after the bill's effective date by a current or future member for prior employment with another state or the federal government, or for service with a bi-state or multi-state agency in the case of a member of PERS, cannot be used to meet the requirements for employer-paid health care benefits in retirement.

This bill also provides that the State as an employer, or an independent State authority, commission, board or instrumentality, may allow any employee who is eligible for other health care coverage that is not under the State Health Benefits Program (SHBP) to waive the SHBP coverage to which the employee is entitled by virtue of employment with the State or other State entity. In consideration of filing a waiver, the State or other employer may pay the employee annually an amount established at its sole discretion and not in excess of 50 percent of the amount saved because of the employee's waiver of coverage.

Current law permits public employers participating in the SHBP other than the State to offer a waiver incentive. Under the bill, the arrangement after a waiver is the same for both State and local employees. An employee who waives coverage will be permitted to resume coverage immediately, if the employee ceases to have other health care coverage, but will be required to repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. The decision of an employer to allow its employees to waive SHBP coverage and the amount of consideration to be paid is not subject to the collective bargaining process.

This bill raises the retirement age for a retirement allowance without any reduction, from age 60 to age 62, for members of the TPAF and the PERS who become a member on or after the effective date of this bill. Under current law, members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. Under current law, there is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 with 25 or more years of service. If a person becomes a member on or after the

effective date of this bill, that person must be at least 62 years of age in order to retire without a reduction in his or her retirement allowance.

This bill changes the eligibility criteria for becoming a member of the TPAF and of the PERS. Currently, the eligibility criteria are a minimum annual compensation threshold of \$500 for TPAF and \$1,500 for PERS. Those same criteria will continue to apply to a person who is a TPAF or PERS member on the effective date of the bill and continuously thereafter. The bill provides that, after its effective date, a person who was not a member of either retirement system on that effective date, or who was a member on that date but not continuously thereafter, and who is in public employment, office or position covered by TPAF or PERS for which the annual salary or remuneration is certified by the public entity at \$7,500 or more, will be eligible to become a member of the relevant retirement system. The \$7,500 minimum annual salary threshold or remuneration amount will be adjusted annually by the Director of the Division of Pensions and Benefits, by regulation, in accordance with changes in the Consumer Price Index but by no more than 4 percent. "Consumer Price Index" means the average of the annual increase, expressed as a percentage, in the consumer price index for all urban consumers in the New York City and Philadelphia metropolitan statistical areas during the preceding calendar year as reported by the United States Department of Labor. Under the bill, persons ineligible for TPAF or PERS based on the new criteria may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP). The bill also provides that an appeal by any person who is denied membership in TPAF or PERS will be transmitted as a contested case to the Office of Administrative Law for an adjudicatory proceeding.

In addition, the bill provides that an adjunct faculty member or part-time instructor at a public institution of higher education in the State whose employment agreement begins after the effective date of the bill will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS.

The bill puts into statute the current eligibility criteria for SHBP coverage, now contained in regulation, for an employee of an employer other than the State, who must work the number of hours per week as prescribed by the governing body of the participating employer, which number of hours worked will be considered full-time, determined by resolution and not less than 20. The bill provides that any person who knowingly obtains SHBP coverage for an ineligible person, himself or another, will be guilty of a crime of the fourth degree, punishable by imprisonment for up to 18 months or a fine of up to \$10,000, or both. The bill requires the SHBP to establish an audit program to ensure that only eligible employees and retirees, and their dependents, are receiving health care coverage under the program.

Finally, this bill would lower, from 13 to 12, the number of paid holidays for all State government public employees. Under the bill, the legal holiday known as Lincoln's Birthday would no longer be considered a public holiday for the purposes of conducting State government business. On that day, State government offices are to remain open. In honor of President Lincoln and all Presidents, the bill provides for the third Monday in February, known as Washington's Birthday, to be known and celebrated as Presidents Day for the purpose of a paid holiday for State employees. This provision of the bill will take effect in the calendar year after the collective bargaining agreements or contracts covering a majority of the Executive Branch employees expire.

FISCAL ANALYSIS***EXECUTIVE BRANCH***

According to the Division of Pensions and Benefits in the Department of Treasury, the estimable long term savings resulting from this bill will total \$152.2 million by FY 2022. Of that amount, \$107 million in savings will result from raising the retirement age from 60 to 62, and \$13 million in savings will result from raising the PERS eligibility threshold to \$7,500. The bill also raises the TPAF eligibility threshold to \$7,500 but this will result in virtually no savings. It is estimated that the elimination of Lincoln's birthday as a holiday for State employees will result in \$32.2 million in savings.

With regard to the other provisions of the bill, no savings can be estimated or no savings will result. For example, the division indicates that there is no estimate at this time with regard to the requirement that all new adjunct faculty join the ABP instead of PERS. The appeal process, provided in this bill for those who are denied membership into PERS or TPAF, is not expected to provide any savings.

Aggregate Projected Long-Term Savings from Proposed Reforms For the Period FY 2011 to FY 2022					
(\$Millions)					
	State		Local		Total
Increase retirement age from 60 to 62	PERS/TPAF	\$53.63	PERS	\$53.36	\$106.99
Raise eligibility threshold to \$7,500	PERS	\$0.84	PERS	\$12.22	\$13.06
New adjunct faculty from PERS to ABP	No estimate at this time				
Appeals process-PERS/TPAF	No savings				
Total Pension Savings		\$54.47		\$65.58	\$120.05

Total Health Care Benefit Savings	No estimate at this time but the purchase and waiver provisions may result in savings ultimately.
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Eliminate Lincoln's birthday as a State employee holiday	\$32.15	\$32.15
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Total Savings	\$86.62	\$65.58	\$152.20
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Source: Division of Pensions and Benefits, Department of Treasury. Assumes an FY 2009 implementation date.

Initial savings in FY 2011 to the State and local governments as a result of this measure are estimated to be \$1.11 million, \$600,000 in State PERS savings and \$820,000 in local PERS savings from increasing the retirement age from age 60 to age 62. These initial FY 2011 savings are offset by increased costs to the State and local employers of \$310,000 to pay for the employer's three percent contribution to the DCRP for those employees whose income falls below the \$7,500 PERS eligibility threshold established by this bill. The division estimates there

will be initial costs of \$360,000 to the State and local employers in FY 2009 and FY 2010 from the enrollment of new employees in the DCRP.

It is estimated that the elimination of Lincoln's Birthday as a State employee holiday would reduce State overtime costs by approximately \$2.5 million beginning in FY 2012 rising to approximately \$3 million annually by FY 2022. There may be a modest expenditure increase related to operating public offices for an additional day.

The Division of Pensions and Benefits breaks down these initial savings by fiscal year as shown in the chart below.

Projected Savings Assuming FY 2009 Implementation (\$ Millions)			
Pension and Health Care Benefit Reforms			
	FY 2011	FY 2012	FY 2013
Increase Retirement Age from 60 to 62			
PERS - State	\$0.20	\$0.37	\$0.62
TPAF	\$0.40	\$0.78	\$1.21
PERS local	\$0.82	\$0.99	\$1.19
Raise PERS and TPAF eligibility threshold to \$7,500			
PERS - State			
PERS Savings	\$0.06	\$0.10	\$0.14
DCRP Cost at 3 percent	\$0.09	\$0.11	\$0.14
Net Savings/(Costs) - State	(\$0.03)	(\$0.01)	\$0.00
PERS-Local			
PERS Savings	\$0.90	\$1.43	\$2.03
DCRP Cost at 3 percent	\$1.18	\$1.57	\$2.03
Net Savings/(Costs) - Local	(\$0.28)	(\$0.14)	\$0.00
Eliminate Lincoln's Birthday		\$2.44	\$2.52

Source: Division of Pensions and Benefits.

According to the Division of Pensions and Benefits, the savings related to the SHBP are more difficult to estimate. Data are not available to estimate savings related to not allowing the out-of-State purchase of service credit in PERS and TPAF to count towards post-retirement medical benefits. The division indicates that if this change is enacted, however, it will reduce the number of employees qualifying for employer-paid post-retirement medical benefits which will ultimately result in savings.

The division also indicates that the bill does not guarantee any savings with regard to offering an incentive for State employees eligible for other health care coverage to waive their SHBP coverage in favor of another health care plan.

Finally, no data are available to estimate the cost of auditing the SHBP annually to identify ineligible participants in the SHBP. However, this bill may result in savings over time if ineligible SHBP participants are identified and removed from the system.

There are no savings to the SHBP anticipated resulting from the codification of current regulations for the definition of eligible full-time employees for local government employers.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate. The OLS notes that the pension savings will not begin to be realized until 2011. This is because there is a two year lag between when a valuation report by the system's actuaries is generated and when contributions become due. Savings related to the elimination of Lincoln's Birthday holiday are not realizable until 2012. This is because holidays are set forth in most current collective bargaining agreements which are in effect until June 30, 2011 and the first Lincoln's Birthday holiday that would be affected by this bill is February 2012.

Section: State Government

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This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).



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JON S. CORZINE

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Governor

For Immediate Release: For More Information:

Date: September 29, 2008

Robert Corrales

Phone: 609-777-2600

Governor Corzine Signs Pension and Benefits Reform Bill

TRENTON -- Gov. Jon S. Corzine, who last year negotiated sweeping pension and health benefit reforms that will save \$6.4 billion through 2022, today continued New Jersey's efforts to curb the cost of government workers' benefits with the signing of the Public Employee Pension and Benefits Reform Act of 2008.

The legislation, S-1962/A-2818, will save an additional \$150 million through 2022 through new changes, including a higher retirement age and new income eligibility for enrollment in the major pension systems.

"The signing of this legislation is another step in the re-alignment of the compensation of our public employees," Governor Corzine said. "The reforms we've made over the last two years strike the right balance of being fair to hard-working public employees and at the same time lightening the burden on our taxpayers."

The significant changes signed into law today include increasing to \$7,500 the annual salary required for new workers to qualify for the state pension system. Previously, workers required an annual compensation of only \$500 to qualify for the Teachers Pension and Annuity Fund, and a minimum salary of \$1,500 a year for the Public Employees Retirement

System.

The legislation also raises the retirement age to 62 for new employees to qualify for a pension without a reduction.

The number of paid holidays for state employees is reduced to 12. It eliminates the Lincoln's Birthday holiday and combines it with Washington's Birthday, to be observed as President's Day.

We began this effort last year, with contract negotiations resulted in statutory changes that raised the retirement age from 55 to 60; placed a cap on pensionable income; increased employee contributions to 5.5 percent of salary; and required newly elected and appointed officials to enroll in a defined contribution program. The reforms also made plan design changes to the State Health Benefits Program (SHBP) and raised employee health benefit contributions.

The new law makes further reforms to the SHBP, allowing the state to offer an incentive to employees to opt out of the program and accept health coverage from other sources, such as a spouse's plan. The state would determine whether to offer the incentive and the amount, which could not exceed half of the amount saved because of the employee's waiver of coverage.

"These changes reflect the state's fiscal realities and come in the same year when we had the largest year-on-year reduction in the budget in New Jersey history, set aside \$650 million for debt repayment, and reduced the actual size of government itself," Governor Corzine said.

The bill was sponsored in the Senate by Senators Barbara Buono (D-Middlesex), Stephen Sweeney (D-Salem, Cumberland, Gloucester), Nicholas Scutari (D-Middlesex, Cumberland, Union), and Tom Kean (R-Essex, Morris, Somerset, Union), and in the Assembly by Speaker Joseph Roberts (D-Camden).

"As a union official, I have heard quite a few members tell me to 'negotiate, not legislate,'" said Senator Sweeney. "Unfortunately, the irresponsible acts of the legislature and union leaders in the 1990s, along with additional changes in legislation in 2001, which were done without any real dollars to cover the cost of the enhancements, have put the State in a financial bind. These irresponsible decisions placed the state's pension system in a financial crisis, and it would be absolutely unfair to ask taxpayers to shoulder the additional costs."

"This common-sense reform bill will modernize and streamline the pension systems preserving the fiscal health and solvency of PERS and TPAF," said Senator Kean. "Most importantly it will save money for property taxpayers who are struggling as the state becomes more unaffordable for the middle class."

"These are common sense reforms that will protect rank-and-file state workers from seeing the pensions and health benefits they rely on from being usurped by an unscrupulous few who have learned how to milk the system," said Speaker Roberts. "These are reforms that will protect both career public employees and taxpayers."

Pension and Benefits Reform, State and Local Savings Summary

- 2007 Contract Negotiations
Average Annual Savings: \$572.6 million
Total Savings Through 2022: \$6.4 billion
- 2008 Legislation (S1962/A2818)
Average Annual Savings: \$12.77 million
Total Savings Through 2022: \$150 million

Health, Pension, and Other Benefit Reforms, State and Local Savings

- Mandatory Health Insurance Contribution for State Employees
Average Annual Savings: \$123.35 million
Total Savings Through 2022: \$1.85 billion

- Increased Co-Pays
Average Annual Savings: \$38.26 million
Total Savings: \$191.32 million (through 2022)
- Health Plan Design Changes
Average Annual Savings: \$155.38 million
Total Savings Through 2022: \$776.91 million
- Retirement Age Increased from 55 to 60
Average Annual Savings: \$28.5 million
Total Savings Through 2022: \$370.55 million
- Cap on Pensionable Income
Average Annual Savings: \$69.29 million
Total Savings Through 2022: \$900.78 million
- Increased Employee Pension Contribution
Average Annual Savings: \$156.59
Total Savings Through 2022: \$2.29 billion
- Mandated Defined Contribution Plan for Elected/Appointed Officials
Average Annual Savings: \$1.19 million
Total Savings Through 2022: \$16.69 million
- Retirement Age Increased from 60-62
Average Annual Savings: \$8.92 million
Total Savings Through 2022: \$106.99 million
- Limit Eligibility for Pension
Average Annual Savings: \$930,000
Total Savings Through 2022: \$13.06 million
- Eliminate Lincoln's Birthday Holiday
Average Annual Savings: \$2.92 million
Total Savings Through 2022: \$32.15 million

Attached is the [Pension and Benefit Reform Summary](#).

###

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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