

ASSEMBLY, No. 797

STATE OF NEW JERSEY

INTRODUCED MAY 27, 1968

By Assemblymen McDONOUGH, WILENTZ, PFALTZ and IRWIN

Referred to Committee on Education

AN ACT to provide an alternate program of benefits for certain members of the faculty of the county colleges, in lieu of benefits now provided.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. (a) Notwithstanding the provisions of any other law, within
2 180 days after the effective date of this act, the Board of Higher
3 Education shall provide for an alternate program of benefits for
4 certain employees in lieu of benefits under the Teachers' Pension
5 and Annuity Fund and the Public Employees' Retirement System,
6 which program shall be known as the alternate benefit program
7 and which shall provide for individual retirement annuity con-
8 tracts, both fixed and variable in nature, to become the property
9 of the participants in said program individually; and group con-
10 tracts providing life insurance which, notwithstanding any other
11 provision of law, shall be in an amount equal to 1½ times the base
12 annual salary of said participant in the event of death prior to
13 retirement; and which may provide insurance coverage after re-
14 tirement in an amount not to exceed 3/16 of the participant's base
15 annual salary at the time of retirement; and disability benefits for
16 all such participants. The Division of Pensions shall provide for
17 performance of all things necessary to prepare and operate said
18 program.

19 (b) With the approval of the Board of Higher Education, the
20 Division of Pensions may also provide for additional death benefit
21 coverage in accordance with rules and regulations as adopted by
22 the Division of Pensions from time to time on the basis of factors
23 deemed appropriate by it. A member of the alternate benefit pro-
24 gram will be eligible to purchase the additional death benefit cover-
25 age provided that he or she selects such coverage within 1 year
26 after the effective date of membership. A schedule of employee

27 contributions shall be established by the Division of Pensions on a
28 basis it deems appropriate which schedule shall be subject to ad-
29 justment from time to time for purpose of meeting the entire cost
30 of the additional death benefit coverage.

31 (c) Any other provisions of this act notwithstanding the con-
32 tributions of a member for the additional death benefit coverage
33 under this section shall not be returnable to the member or his
34 beneficiary in any manner, or for any reason whatsoever, nor
35 shall any contributions made for the additional death benefit
36 coverage be included in any annuity payable to any such member
37 or to his beneficiary.

1 2. All full-time faculty members, except those persons in ineligible
2 categories designated in the regulations of the Board of Higher
3 Education which regulations shall be of uniform application, shall
4 participate in the alternate benefit program, provided that no
5 person who was in employment with a county college on the effec-
6 tive date of this act and who was then a member of the Teachers'
7 Pension and Annuity Fund or the Public Employees' Retirement
8 System shall participate in the alternate benefit program unless
9 he shall so elect by filing an application with the Teachers' Pension
10 and Annuity Fund or the Public Employees' Retirement System
11 within 90 days following the establishment of the alternate benefit
12 program by the Board of Higher Education declaring his election
13 to participate in the alternate benefit program.

14 Upon such election, the Teachers' Pension and Annuity Fund or
15 the Public Employees' Retirement System shall cause prompt
16 notice of said election to be given and shall transfer to the in-
17 dividual's account in the alternate benefit program, the amount of
18 accumulated deductions standing to his credit in the Annuity
19 Savings Fund of the Teachers' Pension and Annuity Fund or the
20 Public Employees' Retirement System as of date of transfer.

1 3. There shall also be transferred from the contingent reserve
2 fund or the pension fund of the Teachers' Pension and Annuity
3 Fund or the Public Employees' Retirement System to the individ-
4 ual's account in the alternate benefit program, the pension reserve
5 required as of the date of his transfer to provide a pension for
6 each year of service credited to the account of the member as set
7 forth in section 18A:66-36 or section 18A:66-44 of the New Jersey
8 Statutes or as set forth in section 38 or section 48 of chapter 84, of
9 the laws of 1954 as such sections have been amended and supple-
10 mented as of the effective date of this act. Such transfer from the
11 contingent reserve fund or the pension fund of the Teachers'
12 Pension and Annuity Fund or the Public Employees' Retirement

13 System shall be made at the time of the member's transfer to the
14 alternate benefit program in the case of any such member who has
15 then met the eligibility requirements for a pension under the afore-
16 mentioned section 18A:66-36 or section 18A:66-44 of the New
17 Jersey Statutes or section 38 or section 48 of chapter 84, public
18 laws of 1954. In the case of any member who elects to participate
19 in the alternate benefit program who has not then met the eligibility
20 requirements for a pension under section 18A:66-36 or section
21 18A:66-44 of the New Jersey Statutes or under section 38 or sec-
22 tion 48 of chapter 84, public laws of 1954, the transfer from the
23 contingent reserve fund or the pension fund of the Teachers'
24 Pension and Annuity Fund or the Public Employees' Retirement
25 System shall be effected at the time such requirements have been
26 met, taking into account for the purpose of such eligibility require-
27 ment his years of membership service at the time of his election
28 and his subsequent years of service as a full-time member of the
29 faculty of a county college, or at the time he shall have 10 years of
30 credit for New Jersey service and become physically incapacitated
31 for the performance of duty if he had been a member of the
32 Teachers' Pension and Annuity Fund or the Public Employees'
33 Retirement System as of the date of transfer.

34 The annuity to be used in determining the amount of pension
35 is the actuarial equivalent of the member's accumulated deductions
36 transferred from the Teachers' Pension and Annuity Fund or the
37 Public Employees' Retirement System to the date the member at-
38 tains 60 years of age, if subsequent to the date of election. The
39 amount of pension is that established by formula within section
40 18A:66-44 of the New Jersey Statutes or section 48 of chapter 84,
41 P. L. 1954 as such sections have been amended and supplemented
42 as of the effective date of this act and changes to either of these
43 sections enacted subsequent to this act shall have no application to
44 the provisions of this act.

45 In the event that the eligibility requirement under section
46 18A:66-36 of the New Jersey Statutes or under section 38 of chap-
47 ter 84, P. L. 1954 is changed at some future date to permit members
48 to become eligible for such benefit prior to the completion of 15
49 years of service, the transfer of the reserve from the contingent
50 reserve fund or the pension fund of the Teachers' Pension and
51 Annuity Fund or the Public Employees' Retirement System shall
52 be effected as of the date the member who had elected the alternate
53 benefits program meets the amended eligibility requirement or the
54 effective date of the amendment, if later.

55 In the event an option is available with respect to the distribution
56 of employee and employer contributions between fixed and variable
57 annuities under the alternate benefit program, the employee shall
58 have the right to determine the percentage distribution of these
59 funds subject to any limitations imposed by the designated insurer
60 or insurers.

1 4. (a) Any person participating in the alternate benefit program
2 shall be ineligible for membership in the Teachers' Pension and
3 Annuity Fund or the Public Employees' Retirement System and
4 any person electing to participate in the alternate benefit program
5 shall thereby waive all rights and benefits provided by the
6 Teachers' Pension and Annuity Fund or the Public Employees'
7 Retirement System as a member of said funds except as herein
8 and otherwise provided by law.

9 (b) Any person required to participate in the alternate benefit
10 program by reason of employment in a county college, who at the
11 time of such employment is a member of the Teachers' Pension and
12 Annuity Fund, shall be permitted to transfer his membership in
13 said fund to the Public Employees' Retirement System, by waiving
14 all rights and benefits which would otherwise be provided by the
15 alternate benefit program. Any such new employee who is a mem-
16 ber of the Public Employees' Retirement System will likewise be
17 permitted to continue his membership in that system, by waiving
18 all rights and benefits which would otherwise be provided by the
19 alternate benefit program. Such waivers shall be accomplished by
20 filing forms satisfactory to the Board of Higher Education within
21 30 days of the beginning date of employment in a county college.

22 (c) For the member of the Public Employees' Retirement Sys-
23 tem who is defined as a full-time faculty member in the regulations
24 of the Board of Higher Education and who is permitted to transfer
25 his membership or continue his membership in that State retire-
26 ment program, as the case may be, under terms of subsection (b)
27 of this section, the State shall pay the employer contribution to
28 the retirement system on his behalf.

29 (d) Any person receiving a benefit by reason of his retirement
30 from any retirement or pension system of the State of New Jersey
31 or any political subdivision thereof shall be ineligible to participate
32 in the alternate benefit program.

1 5. The Division of Pensions shall provide for deductions from
2 the compensation of each participant in the alternate benefit pro-
3 gram of an employee contribution equal to 5% of the participant's
4 base salary and pay this amount to the insurer or insurers for the
5 individual's retirement annuity contract or contracts. The inter-

6 vals for deductions and payments shall be determined by the Divi-
7 sion of Pensions. Based on a certification by the Division of
8 Pensions of the number and base salary of participants, the State
9 shall make payments to the Division of Pensions as employer con-
10 tributions to the alternate benefit program at a rate equal to the
11 normal contribution made by the State on behalf of nonveteran
12 members of the Public Employees' Retirement System, which
13 moneys the Division of Pensions shall pay to the designated insurer
14 or insurers for the benefit of each participant.

1 6. The Division of Pensions shall designate the insurer or in-
2 surers from which contracts are to be purchased under the alternate
3 benefit program and shall approve the form and content of such
4 contracts. In making such designation and giving such approval
5 the division shall give due consideration to (a) the nature and
6 extent of the rights and benefits to be provided by such contracts
7 for employees and their beneficiaries, (b) the relation of such rights
8 and benefits to the amount of contributions to be made under this
9 act, (c) the suitability of such rights and benefits to the needs and
10 interests of employees and to the interests of the county colleges
11 in the recruitment and retention of employees, and (d) the ability
12 of the designated insurer or insurers to provide such suitable
13 rights and benefits under such contracts.

1 7. (a) Notwithstanding any other provisions of this act, no con-
2 tributions to any retirement annuity contracts shall be made by
3 the Division of Pensions until the completion of 1 year of employ-
4 ment and commencement of a second consecutive year of employ-
5 ment. Employee contributions required during this initial year of
6 service shall be deducted and held by the Division of Pensions.
7 Upon the commencement of such second year the amount of the
8 employee contributions, and such amount of the employer contribu-
9 tion herein required as has not theretofore been paid for said em-
10 ployee, together with interest on both portions at the rate of 4%
11 per annum, shall be paid over to the designated insurer or insurers
12 for and on behalf of such employee. If such an employee does not
13 commence such second year the amount of employee contributions
14 deducted from his compensation shall be refunded to him.

15 (b) The provisions of subsection (a) of this section shall not
16 apply to any employee who, at the time of initial employment, owns
17 a retirement annuity contract or contracts determined by the Divi-
18 sion of Pensions to be substantially similar to the contracts to be
19 purchased under the alternate benefit program and issued by the
20 designated insurer or insurers.

1 8. The Board of Higher Education is hereby authorized to permit
2 the county colleges to enter into agreement with each employee
3 participating in the alternate benefit program whereby the em-
4 ployee agrees to take a reduction in salary with respect to amounts
5 earned after the effective date of such agreement in return for the
6 agreement of the college to use a corresponding amount to pur-
7 chase an annuity for such employee so as to obtain the benefits
8 afforded under section 403 (b) of the Federal Internal Revenue
9 Code, as amended. Any such agreement shall specify the amount
10 of such reduction, the effective date thereof, and shall be legally
11 binding and irrevocable with respect to amounts earned while
12 the agreement is in effect; provided, however, that such agreement
13 may be terminated after it has been in effect for a period of not
14 less than 1 year upon notice in writing by either party, and pro-
15 vided further than not more than one such agreement shall be
16 entered into during any taxable year of the employee. For the
17 purposes of this section, any annuity or other contract which
18 meets the requirements of section 403 (b) of the Federal Internal
19 Revenue Code, as amended, may be utilized. The amount of the
20 reduction in salary under any agreement entered into between the
21 colleges and any employee pursuant to this section shall not ex-
22 ceed 10% of the employee's salary prior to such reduction.

1 9. The term "accumulated deductions" as used herein is as de-
2 fined in section 18A :66-2 or in section 6 of chapter 84, P. L. 1954,
3 as amended and supplemented.

4 The term "pension reserve" as used herein is as defined in sec-
5 tion 18A :66-2 of the New Jersey Statutes or in section 6 of chap-
6 ter 84, P. L. 1954, as amended and supplemented.

7 The term "Board of Higher Education" refers to the board
8 established pursuant to section 2 of chapter 302, P. L. 1966. As
9 used herein, the "Board of Higher Education" is the agency
10 responsible for the establishment of the alternate benefit program.

11 The term "Division of Pensions" refers to the division estab-
12 lished in the Department of the Treasury pursuant to section 1
13 of chapter 70, P. L. 1955. As used herein, the "Division of Pen-
14 sions" is the agency responsible for the administration of the
15 alternate benefit program.

16 The term "county colleges" refers to the colleges so designated
17 by the Board of Higher Education.

18 "Full-time" faculty shall be as defined by the Board of Higher
19 Education by regulation of uniform application, and shall also
20 include the presidents of the colleges.

1 10. Notwithstanding any other provision of law, any insurance
2 company or companies, issuing policy or policies may credit the
3 Division of Pensions either directly or in the form of reduced
4 premiums, with savings by said company or companies in the event
5 that no brokerage commission or commissions are paid by said
6 company or companies on the issuance of such policy or policies.

1 11. Any dividend or retrospective rate credit allowed by an in-
2 surance company shall be used for purposes of the alternate
3 benefit program and shall be credited to the funds available to
4 purchase the contracts provided for in section 1 of the act in an
5 equitable manner.

1 12. No retirement, death, or other benefit shall be payable by
2 the State, the Board of Higher Education or the Division of Pen-
3 sions under the alternate benefit program. Benefits shall be pay-
4 able to participating employees and their beneficiaries only by
5 the designated insurer or insurers under the terms of the contracts.

1 13. Those faculty members, who are ineligible for participation
2 in the alternate benefit program, and all other employees of the
3 county colleges, shall be enrolled in the Public Employees' Retire-
4 ment System if they are otherwise eligible. Such eligibility shall
5 extend to all part-time faculty members whose services are subject
6 to renewal at the end of each school year.

1 14. This act shall take effect on October 1, 1968.

STATEMENT

This bill is designed to aid the Board of Higher Education and the county colleges in the recruitment of county college faculty who wish to continue individual retirement programs of the type begun in employment at other educational institutions.

The bill creates an alternate benefit program to the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System for those affected. The program will therefore provide life and disability benefits as well as the individual retirement annuity contracts.

Statement by Governor Richard J. Hughes on signing 8 education bills.

Governor Richard J. Hughes at a public ceremony today signed into law eight bills relating to education at the elementary, secondary, or college level. The bills are S-421, S-749, A-412, A-658, A-686, A-792, A-797, and A-941. Three of these were part of his emergency urban program -- S-421, providing State funds for the school lunch program; S-749, the Emergency School Building Aid Bill; and A-941, creating a series of Neighborhood Education Centers.

After the signing ceremony, the Governor released the following statement:

"The eight education bills which I have signed this morning, all will contribute toward further improving the education available to the present and future generations of students in New Jersey.

"I am particularly pleased that some of these bills will assist us in meeting the crisis which confronts us in urban education. As you well know, I am not satisfied that we as a State have met our responsibility to provide adequate and effective education for the young citizens in our urban ghettos. It is these young people from disadvantaged communities who have the greatest need for good schooling, and it is in these areas that local resources are least able to meet the need. Unless we can break the poverty cycle by upgrading the quality of education provided to these disadvantaged young people, our entire society will be seriously short-changed."

"I am hopeful that the spirit of cooperation -- which has resulted in the enactment of these bills and in the submission of our final budget vote in November -- may yet enable us to resolve our differences so that the State will respond with adequate assistance to meet the crisis in our urban schools."