13:38-1 ET AL.

### LEGISLATIVE HISTORY CHECKLIST

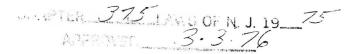
NJSA $43:3B-1$ et al.		
Laws of 1975 Chapter _	375	
Bill No. <u>A3278</u>		
Sponsor(s) <u>Adubato &amp; Cali</u>		
Date Introduced April 10, 1975		
Committee: Assembly Appropriations		
Senate		
Amended during passage	¥85	No
Date of passage: Assembly <u>December 1, 197</u> 5		
Senate December 15, 1975		
Date of approval <u>March 3, 1976</u>		
Following statements are attached if available:		
Sponsor statement	Yes	XXO
Committee Statement: Assembly	¥85	ŇO
Senate	<b>X52</b>	No
Fiscal Note	Yes	<b>HO</b> X
Veto message	Xess	No
Message on signing	¥ēs	Но
Following were printed:		
Reports	¥æ¥x	Мо
Hearings	Yes	Кo

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**10/4/76** JUN 1977

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ASSEMBLY, No. 3278

# STATE OF NEW JERSEY

INTRODUCED APRIL 10, 1975

By Assemblymen ADUBATO and CALI

Referred to Committee on Appropriations

AN ACT to amend "An act to provide for increases in the benefits of certain retired public employees and beneficiaries," approved November 24, 1958 (P. L. 1958, c. 143 as said ttile was amended by P. L. 1971, c. 139), and amending section 6 of P. L. 1969, c. 169, and P. L. 1971, c. 139.

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

1 1. Section 1 of P. L. 1958, c. 143 (C. 43:3B-1) is amended to 2 read as follows:

3 1. As used in this act:

4 a. "Retirant" means any person who was employed by the State of New Jersey, any of its instrumentalities, any of its political 5 5A subdivisions or any of the instrumentalities of its political subdivisions, retired from such employment and, as a result of such 6 employment, is receiving a retirement allowance or pension from 7 a retirement system or under any law administered by the Division 8 9 of Pensions of the State of New Jersey, other than one providing for individual annuity contracts purchased from private insurers. 10b. "Survivorship benefit" means a monthly annuity to the 11 designee of a retirant who, at retirement, elected Option II, III or 12 IV pursuant to the provisions of N. J. S. 18A:66-47 or P. L. 1954, 13 c. 84, s. 50 (C. 43:15A-50) or P. L. 1944, c. 255, s. 12 (C. 43:16A-12), 14 but it shall not mean (1) an annuity based on settlement of a self-15insured or insured lump sum death benefit or in lieu of a lump sum 1617death benefit, (2) an annuity based on the return of the member's contributions or (3) any life annuity settlement payable under 18Option I as provided by the aforesaid sections of the statutory law. 19 20c. "Beneficiary" means any person who is receiving a pension as the result of the death of an active or retired member of a State 21EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

administered retirement system or who is receiving a survivorship 2223benefit. d. "Benefit year" means: 24(1) the calendar year 1966 for: 25(a) all retirants who retired before the calendar year 1955; 2627and (b) all beneficiaries of members who retired or died before 28the calendar year 1955 except those beneficiaries covered by 2930 (4) of this subsection; (2) the actual calendar year of retirement for: 31(a) all members who retired after 1954; and 32(b) all beneficiaries of retirants who retired after 1954 33 except those beneficiaries covered by (4) of this subsection; 34 (3) the actual calendar year of death for all beneficiaries of 35 members who died after 1954 except those beneficiaries covered 36 by (4) of this subsection; 37 (4) the calendar year: 38(a) 1967 for all beneficiaries of active or retired members 39 entitled to receive increased pensions in 1967 in accordance 40 with R. S. 43:16-3(c);41 (b) 1968 for all beneficiaries of members entitled to receive 42increased pensions in 1968 in accordance with R. S. 43:16-4(b); 43(c) 1968 for all beneficiaries of active or retired members 44entitled to receive increased pensions in 1968 accordance with 45P. L. 1967, c. 250, s. 26 (C. 43:16A-12.1); 46 47 (d) 1969 for all beneficiaries of active or retired members 48entitled to receive increased pensions in 1969 in accordance 49with P. L. 1941, c. 220, s. 3 (C. 43:7-9) as amended. e. "Calendar year" means the 12-month period beginning Janu-50ary 1 and ending December 31. 51f. "Index" shall mean the annual average over a calendar 52year] 12-month period, beginning September 1 and ending August 5331, of the Consumer Price Index for Urban Wage Earners and 54 Clerical Workers, All Items Series A, of the United States Depart-5556ment of Labor (1957-1959=100). Should the reference base of said index be changed, the index used to determine the Consumer Price 57Index as defined herein will be the index converted to the new base 58by standard statistical methods. The annual average index so 59 60 calculated shall be the index for the calendar year in which the 6112-month period ends. 62g. "Benefit year index" shall be the index of the benefit year. 63 This act shall be known and may be cited as the "Pension In-

64 crease Act."

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2. The monthly retirement allowance or pension originally
granted to any retirant and the pension or surviorship benefit
originally granted to any beneficiary shall be [increased] adjusted
in accordance with the provisions of this act provided, however,
that:

8 a. the maximum retirement allowance, without option, shall be considered the retirement allowance originally granted to any 9 10retirant who, at retirement, elected an Option I allowance pursuant 11 to the provisions of the statutes stipulated in subsection b. of 12section 1 of this act (C. 43:3B-1); and b. the minimum pension 13granted to any beneficiary stipulated in subsection d. (4) of section 1 of this act (C. 43:3B-1), shall be considered the pension originally 14 granted to such beneficiary. 15

16 Pension [increases] adjustments shall not be paid to retirants 17 or beneficiaries who are not receiving their regular, full, monthly retirement allowances, pensions or survivorship benefits. The 18[increase] adjustment granted under the provisions of this act 1920 shall be effective only on the first day of a month, shall be paid in 21monthly installments, and shall not be decreased, increased, revoked 22or repealed except as otherwise provided in this act. No [in-23crease] adjustment shall be due to a retirant or a beneficiary unless 24it constitutes a payment for an entire month.

1 3. Section 4 of P. L. 1958, c. 143 (C. 43:3B-4) is amended to 2 read as follows:

3 4. Except in the case of retirants and beneficiaries of the Teachers' Pension and Annuity Fund, each employer shall bear 4  $\mathbf{5}$ the cost of the [increase] adjustment in the retirement allowances or pensions payable to retirants who retired from the employ of 6 such employer and the cost of the [increase] adjustment in the 7 8 surviorship benefits or pensions payable to beneficiaries of active 9 or retired members who were in the employ of such employer at the time of the member's death or retirement. Certification of the 10 amounts due shall be made by the Director of the Division of 11 Pensions to each employer other than the State, prior to December 12 13 1 of each year, commencing with December 1, 1958]. Each employer shall appropriate the amounts so certified in the fiscal year  $\mathbf{14}$ 15next following its fiscal year in which such certification is made. 16Such amounts shall be paid by each employer to the Division of Pensions by March 30 of each year in the case of employers whose 17fiscal year extends from January 1 to December 31, and by July 18

19 [15] 30 of each year in the case of each employer whose fiscal year 20extends from July 1 of a given calendar year to June 30 of the 21following calendar year. In making such certifications to employers 22in the years after 1958] the Director of the Division of Pensions 23shall take into account payments made by the employer, payments to retirants and beneficiaries of former employees of such employer, 24prospective payments to be made to such retirants and beneficiaries 2526in the following year and necessary administrative costs on behalf 27-28 of such retirants and beneficiaries.

29 The Director of the Division of Pensions shall certify annually 30 to the Director of the Division of Budget and Accounting the 31 amount necessary to provide for the remaining cost of the **[**in-32 creases**]** adjustments in retirement allowances, pensions and 33 survivorship benefits and necessary administrative costs.

Payment of invoices rendered by the Division of Pensions to public employers for the amounts required to meet the employer's obligation under the act shall be made payable to "State of New Jersey, Pension Increase Fund."

38 If payment of the full amount of such employer obligation is not 39 made within 30 days of the due date, interest at the rate of 6% per 40 annum shall commence to run against the unpaid balance thereof 41 on the first day after such thirtieth day.

The employer's failure to pay invoices within 30 days after being 42notified of his delinquency shall result in the suspension of pay-43ments under this act to eligible retirants and beneficiaries of former 44 employees of the employer on the first of the month 30 days sub-45sequent thereto. The office of the Attorney General shall act to 46collect such outstanding amounts. At the request of the Attorney 47 General, delinquent payments, including interest charges, may be 4849 deducted from any moneys payable to such local government em-50ployers by any department or agency of the State.

1 4. Section 5 of P. L. 1958, c. 143 (C. 43:3B-5) is amended to 2 read as follows:

3 5. The [increase] adjustment in retirement allowances, pensions and survivorship benefits provided for under this act shall com-4  $\mathbf{5}$ mence with retirement allowance, pension and survivorship benefit payments for the month of January [1972] 1976 provided, that 6 7 there is appropriated the amount certified by the Director of the Division of Pensions to the Director of the Division of Budget and 8 Accounting as set forth in section 4 hereof. The [increase] adjust-9 ment in retirement allowances, pensions and survivorship benefits 10 shall continue to be paid as long as there shall be appropriated the 11

amounts so certified. In the event that the necessary funds are not 12appropriated, the [increase] adjustment in retirement 13 $\mathbf{SO}$ allowances, pensions and survivorship benefits shall cease; no 14 further payments shall be made by other employers; refunds shall 15be made by the Director of the Division of Pensions to all em-16 ployers of any balances unexpended on their account; and charges 17shall be certified by the Director of the Division of Pensions to all 18 employers of any amounts which have been paid on behalf of the 19 20retirants and beneficiaries of former employees of such employer for which funds have not been paid to the [director] Division of 21Pensions by the employer. In the event that any such charges are 22certified, provision for payment shall be made by the employer in 23 $\mathbf{24}$ the budget for the ensuing fiscal year.

1 5. Section 6 of P. L. 1969, c. 169 (C. 43:3B-7) is amended to read 2 as follows:

3 6 a. On or before October 1, [1971] 1975 and by the same date in each subsequent year, the Director of the Division of Pensions 4 shall review the index and determine the percentum of change in  $\mathbf{5}$ the index from the benefit year index. In determining the per-6 centum of change the director shall use the index for the [calendar] 7year ending the August 31 prior to [preceding] the date of review, 8 dividing such index by the benefit year index [for the year for 9 which the increase is being calculated] and then subtracting 100% 10 from the resulting quotient expressed to the nearest 1/100 of 1%. 11 The percentage of adjustment shall be  $\frac{1}{2}$  of the percentum of 1213change. Any adjustment so calculated shall apply to all of the months of the following calendar year for eligible retirants and 1415beneficiaries, including those qualifying for the first time.

16 The director shall include (a) in his corpus appropriation request 17for the administration of the act on behalf of those retirants and 18beneficiaries for whom the State assumes the costs attributable to 19 this act, and, (b) in his certification of amounts due from each em-20ployer in accordance with section 4 of the Pension Increase Act, 21amounts sufficient to adjust the retirement allowances, surviorship 22benefits or pensions payable to all eligible retirants and bene-23ficiaries by  $\frac{1}{2}$  of the percentum of change in the index as such 24 retirement allowances, surviorship benefits or pensions may have been originally granted, or increased for certain retirants or bene-2526ficiaries in accordance with section 3 of the Pension Increase Act. 27In no instance shall the amount of the retirement allowance or 28pension originally granted and payable to any retirant be reduced as a result of the adjustment made pursuant to the provisions of 2930 P. L. 1969, c. 169.

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b. For purposes of this [section] act a "retirant" shall include 3132all retirants except those whose retirement allowance or pension commenced within the 3 calendar years prior to the first of the 3334month in which the adjustment is to become effective in any calendar 35year and a "beneficiary" shall include all beneficiaries except those whose [benefit year is within the 3 calendar years] pension, or 3637surviorship benefit, or whose increased pension pursuant to the 38provisions of the statutes stipulated in subsection d (4) of section 1 of the act to which this act is an amendment (C. 43:3B-1), com-39 40menced within the 3 calendar years prior to the first of the month 41 in which the adjustment is to become effective in any *calendar* year. In the case of beneficiaries, all or any part of the 3 calendar year 42period shall include the period in which the retirant was entitled 4344 to receive his retirement allowance or pension.

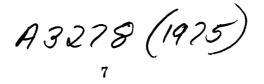
1 6. Section 10 of P. L. 1971, c. 139 (C. 43:3B-4.1) is amended to 2 read as follows:

10. If, in any [calendar] year, the State does not appropriate 3 the amount required under section 4 of P. L. 1958, c. 143 4 (C. 43:3B-4), no [increases] adjustments in benefits may be paid  $\mathbf{5}$ under any other law of New Jersey in [such] the subsequent 6 7 calendar year to retirants or beneficiaries of active or retired 8 members of any retirement system or program which is not 9 administered by the Division of Pensions of the State of New 10Jersey.

7. This act shall take effect immediately with increased benefits
 2 initially payable to retirants and beneficiaries for the month of
 3 January, 1976.

#### STATEMENT

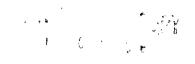
The Pension Increase Act was first enacted in 1958 providing a modest fixed increase for those who retired prior to 1952. Over the years additional pensioners were added so that fixed increases were provided to all who retired prior to 1955—prior to the advent of Social Security for public employees, guaranteed benefits in lieu of the money purchase retirement formulas, liberalized benefit formulas appropriate to those performing hazardous duty for the State and for county and municipal policemen and firemen and other law enforcement officers, the elimination of the offset of Social Security benefits against the pension portion of the retirement allowances in the major retirement programs and prior to the advent of substantial amounts of group life insurance for public employees as members of State-administered retirement programs.



In 1969 the act was altered by the addition of increases to all eligible pensioners on the basis of  $\frac{1}{2}$  of the rise in the cost of living as reflected in the change in the Consumer Price Index. The initial cost-of-living increase made possible by the 1969 legislation reflected the difference in the indices for the years 1967 and 1968.

In 1971, legislation was adopted to expand the cost-of-living features of the 1969 legislation by reflecting the change in the cost of living since 1955 for all pensioners and not only for those who retired prior to 1955. For the first time eligible survivors were qualified for fixed as well as cost-of-living increases on the same basis as pensioners. The legislation considered the blanket increases provided to certain survivors in specific systems in order to avoid inequities between survivors.

This legislation is designed to reduce the lag in calculating the percentage of change so that it more nearly reflects the most current rise in the Consumer Price Index consistent with the ability to obtain the funds from the State and other public employers in order that these benefits be paid. The existing 18 month lag is reduced to only 9 months.



## FISCAL NOTE TO ASSEMBLY, No. 3278

## STATE OF NEW JERSEY

#### DATED: JUNE 12, 1975

Assembly Bill No. 3278 amends the Pension Increase Act to decrease the lag in the computation of increases so that the most current indices will be used by the Director of Pensions in computing the increases to be provided the following January. The indices change from calendar year to a 12-month period beginning September 1 and ending August 31. The act shall take effect with the month of January 1976. This reduces the lag from 18 months to only 5 months (not 9 months as indicated in the statement attached to the bill). The initial cost of this legislation would be for the half year of January-June of 1976.

The Division of Pensions states:

"The cost to the State for the half year would be \$340,000.00 for State employees and \$1.3 million for members of the Teachers' Pension and Annuity Fund. If the legislation is enacted so that the effect of the legislation can pertain to local employers (adopted not later than September 1 for billings by December 1 as prescribed by the act), the cost to local employers in the first year would be \$2,030,000.00 and this should increase to \$2,524,000.00 in the following year. The cost to the State during the first full fiscal year thereafter would be \$751,000.00 for State employees and \$2,920,000.00 for members of the Teachers' Fund."

The fiscal note is based on an estimate of costs rather than actual cost information.

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1962, c. 27.