

43:3B-1 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA 43:3B-1 et al.

Laws of 1975 Chapter 375

Bill No. A3278

Sponsor(s) Aduato & Cali

Date Introduced April 10, 1975

Committee: Assembly Appropriations

Senate _____

Amended during passage Yes No

Date of passage: Assembly December 1, 1975

Senate December 15, 1975

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Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly ~~Yes~~ No

Senate ~~Yes~~ No

Fiscal Note Yes ~~No~~

Veto message ~~Yes~~ No

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Following were printed:

Reports ~~Yes~~ No

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CHAPTER 375 LAWS OF N. J. 1975
APPROVED 3.3.76

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 title 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
5 of New Jersey, any of its instrumentalities, any of its political
5A subdivisions or any of the instrumentalities of its political sub-
6 divisions, retired from such employment and, as a result of such
7 employment, is receiving a retirement allowance or pension from
8 a retirement system or under any law administered by the Division
9 of Pensions of the State of New Jersey, other than one providing
10 for individual annuity contracts purchased from private insurers.

11 b. "Survivorship benefit" means a monthly annuity to the
12 designee of a retirant who, at retirement, elected Option II, III or
13 IV pursuant to the provisions of N. J. S. 18A:66-47 or P. L. 1954,
14 c. 84, s. 50 (C. 43:15A-50) or P. L. 1944, c. 255, s. 12 (C. 43:16A-12),
15 but it shall not mean (1) an annuity based on settlement of a self-
16 insured or insured lump sum death benefit or in lieu of a lump sum
17 death benefit, (2) an annuity based on the return of the member's
18 contributions or (3) any life annuity settlement payable under
19 Option I as provided by the aforesaid sections of the statutory law.

20 c. "Beneficiary" means any person who is receiving a pension
21 as the result of the death of an active or retired member of a State

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

22 administered retirement system or who is receiving a survivorship
23 benefit.

24 d. "Benefit year" means:

25 (1) the calendar year 1966 for:

26 (a) all retirants who retired before the calendar year 1955;

27 and

28 (b) all beneficiaries of members who retired or died before
29 the calendar year 1955 except those beneficiaries covered by

30 (4) of this subsection;

31 (2) the actual calendar year of retirement for:

32 (a) all members who retired after 1954; and

33 (b) all beneficiaries of retirants who retired after 1954

34 except those beneficiaries covered by (4) of this subsection;

35 (3) the actual calendar year of death for all beneficiaries of
36 members who died after 1954 except those beneficiaries covered

37 by (4) of this subsection;

38 (4) the calendar year:

39 (a) 1967 for all beneficiaries of active or retired members
40 entitled to receive increased pensions in 1967 in accordance
41 with R. S. 43:16-3(c);

42 (b) 1968 for all beneficiaries of members entitled to receive
43 increased pensions in 1968 in accordance with R. S. 43:16-4(b);

44 (c) 1968 for all beneficiaries of active or retired members
45 entitled to receive increased pensions in 1968 accordance with
46 P. L. 1967, c. 250, s. 26 (C. 43:16A-12.1);

47 (d) 1969 for all beneficiaries of active or retired members
48 entitled to receive increased pensions in 1969 in accordance
49 with P. L. 1941, c. 220, s. 3 (C. 43:7-9) as amended.

50 e. "Calendar year" means the 12-month period beginning Janu-
51 ary 1 and ending December 31.

52 f. "Index" shall mean the annual average over a [calendar
53 year] *12-month period, beginning September 1 and ending August*
54 *31, of the Consumer Price Index for Urban Wage Earners and*
55 *Clerical Workers, All Items Series A, of the United States Depart-*
56 *ment of Labor (1957-1959=100). Should the reference base of said*
57 *index be changed, the index used to determine the Consumer Price*
58 *Index as defined herein will be the index converted to the new base*
59 *by standard statistical methods. The annual average index so*
60 *calculated shall be the index for the calendar year in which the*
61 *12-month period ends.*

62 g. "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."

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

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

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

16 Pension **[increases]** *adjustments* shall not be paid to retirants
17 or beneficiaries who are not receiving their regular, full, monthly
18 retirement allowances, pensions or survivorship benefits. The
19 **[increase]** *adjustment* granted under the provisions of this act
20 shall be effective only on the first day of a month, shall be paid in
21 monthly installments, and shall not be decreased, increased, revoked
22 or repealed except as otherwise provided in this act. No **[in-**
23 **crease]** *adjustment* shall be due to a retirant or a beneficiary unless
24 it 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
4 Teachers' Pension and Annuity Fund, each employer shall bear
5 the cost of the **[increase]** *adjustment* in the retirement allowances
6 or pensions payable to retirants who retired from the employ of
7 such employer and the cost of the **[increase]** *adjustment* in the
8 survivorship benefits or pensions payable to beneficiaries of active
9 or retired members who were in the employ of such employer at
10 the time of the member's death or retirement. Certification of the
11 amounts due shall be made by the Director of the Division of
12 Pensions to each employer other than the State, prior to December
13 1 of each year **[, commencing with December 1, 1958]**. Each em-
14 ployer shall appropriate the amounts so certified in the fiscal year
15 next following its fiscal year in which such certification is made.
16 Such amounts shall be paid by each employer to the Division of
17 Pensions by March 30 of each year in the case of employers whose
18 fiscal year extends from January 1 to December 31, and by July

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

34 Payment of invoices rendered by the Division of Pensions to
 35 public employers for the amounts required to meet the employer's
 36 obligation under the act shall be made payable to "State of New
 37 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.

42 The employer's failure to pay invoices within 30 days after being
 43 notified of his delinquency shall result in the suspension of pay-
 44 ments under this act to eligible retirants and beneficiaries of former
 45 employees of the employer on the first of the month 30 days sub-
 46 sequent thereto. The office of the Attorney General shall act to
 47 collect such outstanding amounts. *At the request of the Attorney*
 48 *General, delinquent payments, including interest charges, may be*
 49 *deducted from any moneys payable to such local government em-*
 50 *ployers 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
 4 and survivorship benefits provided for under this act shall com-
 5 mence with retirement allowance, pension and survivorship benefit
 6 payments for the month of January **[1972]** 1976 provided, that
 7 there is appropriated the amount certified by the Director of the
 8 Division of Pensions to the Director of the Division of Budget and
 9 Accounting as set forth in section 4 hereof. The **[increase]** *adjust-*
 10 *ment* in retirement allowances, pensions and survivorship benefits
 11 shall continue to be paid as long as there shall be appropriated the

12 amounts so certified. In the event that the necessary funds are not
 13 so appropriated, the **[increase]** *adjustment* in retirement
 14 allowances, pensions and survivorship benefits shall cease; no
 15 further payments shall be made by other employers; refunds shall
 16 be made by the Director of the Division of Pensions to all em-
 17 ployers of any balances unexpended on their account; and charges
 18 shall be certified by the Director of the Division of Pensions to all
 19 employers of any amounts which have been paid on behalf of the
 20 retirants and beneficiaries of former employees of such employer
 21 for which funds have not been paid to the **[director]** *Division of*
 22 *Pensions* by the employer. In the event that any such charges are
 23 certified, provision for payment shall be made by the employer in
 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
 4 in each subsequent year, the Director of the Division of Pensions
 5 shall review the index and determine the percentum of change in
 6 the index from the benefit year index. In determining the per-
 7 centum of change the director shall use the index for the **[calendar]**
 8 *year ending the August 31 prior to* **[preceding]** the date of review,
 9 dividing such index by the benefit year index **[for the year for**
 10 **which the increase is being calculated]** and then subtracting 100%
 11 from the resulting quotient expressed to the nearest 1/100 of 1%.
 12 The percentage of adjustment shall be ½ of the percentum of
 13 change. *Any adjustment so calculated shall apply to all of the*
 14 *months of the following calendar year for eligible retirants and*
 15 *beneficiaries, including those qualifying for the first time.*

16 The director shall include (a) in his corpus appropriation request
 17 for the administration of the act on behalf of those retirants and
 18 beneficiaries for whom the State assumes the costs attributable to
 19 this act, and, (b) in his certification of amounts due from each em-
 20 ployer in accordance with section 4 of the Pension Increase Act,
 21 amounts sufficient to adjust the retirement allowances, survivorship
 22 benefits or pensions payable to all eligible retirants and bene-
 23 ficiaries by ½ of the percentum of change in the index as such
 24 retirement allowances, survivorship benefits or pensions may have
 25 been originally granted, or increased for certain retirants or bene-
 26 ficiaries in accordance with section 3 of the Pension Increase Act.
 27 In no instance shall the amount of the retirement allowance or
 28 pension originally granted and payable to any retirant be reduced
 29 as a result of the adjustment made pursuant to the provisions of
 30 P. L. 1969, c. 169.

31 b. For purposes of this [section] act a "retirant" shall include
32 all retirants except those whose retirement allowance or pension
33 commenced within the 3 calendar years prior to the first of the
34 month in which the adjustment is to become effective in any *calendar*
35 year and a "beneficiary" shall include all beneficiaries except those
36 whose [benefit year is within the 3 calendar years] *pension, or*
37 *survivorship benefit, or whose increased pension pursuant to the*
38 *provisions of the statutes stipulated in subsection d (4) of section 1*
39 *of the act to which this act is an amendment (C. 43:3B-1), com-*
40 *menced 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.*
42 *In the case of beneficiaries, all or any part of the 3 calendar year*
43 *period shall include the period in which the retirant was entitled*
44 *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:

3 10. If, in any [calendar] year, the State does not appropriate
4 the amount required under section 4 of P. L. 1958, c. 143
5 (C. 43:3B-4), no [increases] *adjustments* in benefits may be paid
6 under any other law of New Jersey in [such] *the subsequent*
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*
10 *Jersey.*

1 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.

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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.