



§§1-3  
C. 52:14-17.32i  
To 52:14-17.32k  
§5 T & E  
§6  
Note To §§1-5

P.L. 1997, CHAPTER 330, *approved January 9, 1998*  
Assembly Committee Substitute for  
Assembly, No. 3258

1 **AN ACT** concerning health benefits coverage under the State Health  
2 Benefits Program of certain retired members of the Police and  
3 Firemen's Retirement System of New Jersey, the Public Employees'  
4 Retirement System of New Jersey and the Consolidated Police and  
5 Firemen's Pension Fund, amending P.L.1977, c.85 and  
6 supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).  
7

8 **BE IT ENACTED** by the Senate and General Assembly of the State  
9 of New Jersey:  
10

11 1. (New section) a. A qualified retiree from the Police and  
12 Firemen's Retirement System of New Jersey (C.43:16A-1 et seq.),  
13 hereinafter referred to as PFRS, the Consolidated Police and Firemen's  
14 Pension Fund (C.43:16-1 et seq.), hereinafter referred to as CPFPF,  
15 or the Public Employees' Retirement System of New Jersey  
16 (C.43:15A-1 et seq.), hereinafter referred to as PERS, and dependents,  
17 as defined in section 2 of P.L.1961, c.49 (C.52:14-17.26), of a  
18 qualified retiree, are eligible to participate in the program, in  
19 accordance with the law and rules governing the program, except as  
20 otherwise provided by this act, regardless of whether the retiree's  
21 employer participated in the program.

22 A qualified retiree is a retiree who:

23 (1) retired on a benefit based on 25 or more years of service credit  
24 in PFRS or CPFPF, or in PERS as a law enforcement officer as  
25 defined in section 1 of P.L.1955, c.257 (C.43:15A-97) or in a position  
26 eligible for participation in PFRS as provided in section 9 of P.L.1989,  
27 c.204 (C.43:16A-1.2); or

28 (2) retired on a disability retirement under PFRS or CPFPF, or  
29 under PERS as a law enforcement officer or in a position eligible for  
30 participation in PFRS, based on fewer years of service credit; and

31 (3) was eligible to receive health benefits coverage at the expense  
32 of the employer of the person immediately preceding retirement.

**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       b. The State shall pay the amount of the premium or periodic  
2 charges for the coverage for the qualified retiree and dependents, but  
3 not including survivors, equal to 80 percent of the premium or  
4 periodic charges for the category of coverage elected by the qualified  
5 retiree under the State managed care plan or a health maintenance  
6 organization participating in the program which provides services in  
7 the 21 counties in the State, whichever provides the lower premium or  
8 periodic charge. The qualified retiree shall pay the difference between  
9 the premium or periodic charge for the coverage and the amount paid  
10 by the State.

11       c. The State Health Benefits Commission shall annually certify to  
12 the State the cost for providing health benefits coverage to qualified  
13 retirees and their dependents under this section. The State shall  
14 annually remit to the commission the amount certified at a time  
15 specified by the State Treasurer.

16       d. The provisions of this section shall not apply to (1) a retired  
17 State employee whose premium or periodic charges for benefits under  
18 the program are paid by the State pursuant to section 8 of P.L.1961,  
19 c.49 (C.52:14-17.32) or section 6 of P.L.1996, c.8 (C.52:14-17.28b);  
20 and (2) a retiree of an employer other than the State which pays the  
21 premium or periodic charges for health care benefits for eligible  
22 retirees pursuant to section 7 of P.L.1964, c.125 (C.52:14-17.38) or  
23 N.J.S.40A:10-23 on the effective date of P.L.     , c. (C.     ) (now  
24 pending before the Legislature as this bill).

25  
26       2. (New section) A qualified retiree shall be eligible for the  
27 benefits provided by P.L.     , c. (C.     ) (now pending before the  
28 Legislature as this bill) at the time of retirement, or at the time the  
29 qualified retiree becomes eligible for Medicare. A qualified retiree  
30 receiving health benefits coverage from an employer after retirement  
31 shall be ineligible for the benefits under this act.

32  
33       3. (New section) No provision of this act shall be deemed to  
34 replace, supersede or modify retiree health care benefits provided by  
35 an employer by negotiated agreement, ordinance or resolution.

36  
37       4. Section 5 of P.L.1977, c.85 (C.34:13A-18) is amended to read  
38 as follows:

39       5. The arbitrator shall not issue any finding, opinion or order  
40 regarding the issue of whether or not a public employer shall remain  
41 as a participant in the New Jersey State Health Benefits Program or  
42 any governmental retirement system or pension fund, or statutory  
43 retirement or pension plan; nor, in the case of a participating public  
44 employer, shall the arbitrator issue any finding, opinion or order  
45 regarding any aspect of the rights, duties, obligations in or associated

1 with the New Jersey State Health Benefits Program or any  
2 governmental retirement system or pension fund, or statutory  
3 retirement or pension plan; nor shall the arbitrator issue any finding,  
4 opinion or order reducing, eliminating or otherwise modifying retiree  
5 benefits which exist as a result of a negotiated agreement, ordinance  
6 or resolution because of the enactment of legislation providing such  
7 benefits for those who do not already receive them.

8 (cf: P.L.1977, c.85, s.5)

9

10 5. (New section) Any qualified retiree who retired prior to the  
11 effective date of this act, P.L. ,c. (C. ) (now pending before the  
12 Legislature at this bill) shall be eligible for the coverage provided by  
13 section 1 of the act if the employee applies to the program for it within  
14 one year after the effective date of this act.

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16 6. This act shall take effect on the first day of the sixth month  
17 following enactment.

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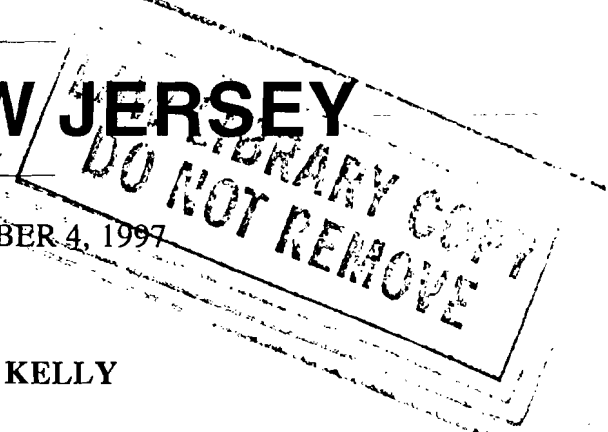
22 Provides certain contributory SHBP benefits to certain PFRS, CPFPP  
23 and PERS retirees.

ASSEMBLY, No. 3258

STATE OF NEW JERSEY

INTRODUCED DECEMBER 4, 1997

By Assemblyman KELLY



1 AN ACT concerning health benefits coverage under the State Health  
2 Benefits Program of certain retired members of the Police and  
3 Firemen's Retirement System of New Jersey and the Public  
4 Employees' Retirement System of New Jersey and supplementing  
5 P.L.1961, c.49 (C.52:14-17.25 et seq.).  
6

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

10 1. a. A qualified retiree from the Police and Firemen's Retirement  
11 System of New Jersey (C.43:16A-1 et seq.), and a qualified retiree  
12 from the Public Employees' Retirement System of New Jersey  
13 (C.43:15A-1 et seq.) whose service was as a law enforcement officer  
14 as defined in section 1 of P.L.1955, c.257 (C.43:15A-97) or as a  
15 policeman as defined in section 1 of P.L.1944, c.255 (C.43:16A-1),  
16 and dependents of a qualified retiree, including surviving dependents,  
17 are eligible to participate at any time in a State managed care plan for  
18 retirees in the program, regardless of whether the retiree's employer  
19 participated in the program.

20 A qualified retiree is a retiree who:

21 (1) retired on a benefit based on 25 or more years of service credit;

22 or

23 (2) retired on a disability retirement based on fewer years of  
24 service credit.

25 A retiree who elected deferred retirement is not a qualified retiree.

26 b. A State managed care plan for retirees is a State managed care  
27 plan which:

28 (1) provides services in the 21 counties in the State through a  
29 network of doctors and other providers, with no deductible for  
30 services provided in the network; and

31 (2) provides for payment or reimbursement for services and  
32 supplies obtained outside the network.

33 The program shall reimburse a qualified retiree, or a surviving  
34 dependent of a qualified retiree, who participates in the State managed  
35 care plan for retirees in the program for the premium charges under  
36 Part B of the federal Medicare program for the retiree and the retiree's  
37 spouse.

1 A qualified retiree, or a surviving dependent of a qualified retiree,  
2 shall pay 20 percent of the premium or periodic charges of the State  
3 managed care plan for retirees for benefits provided to a qualified  
4 retiree and the dependents of the retiree, or surviving dependents, as  
5 the case may be. The State shall pay 80 percent of the premium or  
6 periodic charges of the State managed care plan for retirees for  
7 benefits provided to a qualified retiree and the dependents of the  
8 retiree, or surviving dependents, as the case may be, and the full cost  
9 for reimbursement of Medicare premiums.

10 If a qualified retiree, or a surviving dependent of a qualified retiree,  
11 shall elect to participate in the traditional plan of the program, the  
12 retiree or surviving dependent shall pay, in addition to the amount  
13 specified above, the amount of the difference between the cost of the  
14 premium or periodic charges for the traditional plan and the premium  
15 or periodic charges of the State managed care plan for retirees.

16 c. The State Health Benefits Commission shall annually certify to  
17 the State the cost for providing health benefits coverage to qualified  
18 retirees and their dependents, or surviving dependents, as the case may  
19 be, under this section. The State shall annually remit to the  
20 commission the amount certified at a time specified by the State  
21 Treasurer.

22 d. The provisions of this section shall not apply to (1) a retired  
23 State employee whose premium or periodic charges for benefits under  
24 the program are paid by the State pursuant to section 8 of P.L.1961,  
25 c.49 (C.52:14-17.32) or section 6 of P.L.1996, c.8 (C.52:14-17.28b);  
26 (2) a retiree whose premium or periodic charges for benefits under the  
27 program are paid by an employer other than the State pursuant to  
28 section 7 of P.L.1964, c.125 (C.52:14-17.38); (3) a retiree whose  
29 health care benefits are paid by an employer other than the State  
30 pursuant to N.J.S.40A:10-23; and (4) a retiree whose health care  
31 benefits were paid by an employer other than the State pursuant to  
32 section 7 of P.L.1964, c.125 (C.52:14-17.38) or N.J.S.40A:10-23  
33 commencing prior to January 1, 1997, and are so paid on the effective  
34 date of P.L. , c. (C. ) (now pending before the Legislature as this  
35 bill).

36  
37 2. The commission shall enter into a contract under the "New  
38 Jersey State Health Benefits Program Act," P.L.1961, c.49 (C.52:14-  
39 17.25 et seq.) for a State managed care plan for retirees in the  
40 program pursuant to section 1 of P.L. , c. (C. ) (now pending  
41 before the Legislature as this bill), for which the premium or periodic  
42 charges shall not be greater than the average of the premiums or  
43 periodic charges of the State managed care plans of the program.

44  
45 3. This act shall take effect on the first day of the fourth month  
46 following enactment.

## STATEMENT

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3 This bill provides post-retirement health care benefits in a State  
4 managed care plan for retirees in the State Health Benefits Program  
5 (SHBP) to a qualified retiree from the Police and Firemen's Retirement  
6 System, and a qualified retiree from the Public Employees' Retirement  
7 System whose service was in law enforcement, and dependents of a  
8 qualified retiree, including surviving dependents, at any time,  
9 regardless of whether the retiree's employer participated in the  
10 program.

11 The bill defines a qualified retiree as a retiree who (1) retired on a  
12 benefit based on 25 or more years of service credit; or (2) retired on  
13 a disability retirement based on fewer years of service credit. A retiree  
14 who elected deferred retirement is not a qualified retiree. A State  
15 managed care plan for retirees is defined as a State managed care plan  
16 which provides services in the 21 counties in the State through a  
17 network of doctors and other providers, with no deductible for  
18 services provided in the network, and provides for payment or  
19 reimbursement for services and supplies obtained outside the network.

20 The bill provides that (1) a qualified retiree, or a surviving  
21 dependent of a qualified retiree, shall pay 20 percent of the premium  
22 or periodic charges of the State managed care plan for retirees; (2)  
23 SHBP shall reimburse a qualified retiree, or a surviving dependent of  
24 a qualified retiree, for Part B Medicare premium charges; and (3) the  
25 State shall pay 80 percent of the premium or periodic charges of the  
26 State managed care plan for retirees and the full cost for  
27 reimbursement of Medicare premiums. The bill also provides that if  
28 a qualified retiree, or a surviving dependent of a qualified retiree, shall  
29 elect to participate in the SHBP traditional plan, the retiree or  
30 surviving dependent shall pay, in addition, the amount of the difference  
31 between the cost of the premium or periodic charges for the traditional  
32 plan and the premium or periodic charges of the State managed care  
33 plan for retirees.

34 The provisions of this bill, however, shall not apply to (1) a retired  
35 State employee whose premium or periodic charges for benefits under  
36 the program are paid by the State pursuant to N.J.S.A.52:14-17.32 or  
37 N.J.S.A.52:14-17.28b; (2) a retiree whose premium or periodic  
38 charges for benefits under the program are paid by an employer other  
39 than the State pursuant to N.J.S.A.52:14-17.38; (3) a retiree whose  
40 health care benefits are paid by an employer other than the State  
41 pursuant to N.J.S.A.40A:10-23; and (4) a retiree whose health care  
42 benefits were paid by an employer other than the State pursuant to  
43 N.J.S.A.52:14-17.38 or N.J.S.A.40A:10-23 commencing prior to  
44 January 1, 1997 and are so paid on the effective date of the bill.

45 The bill requires that SHBP enter into a contract for a State  
46 managed care plan for retirees for which the premium or periodic

1 charges shall not be greater than the average of the premiums or  
2 periodic charges of the other SHBP State managed care plans.

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7 Provides contributory SHBP managed care plan to certain PFRS and  
8 PERS retirees.



[Passed Both Houses]

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 3258

STATE OF NEW JERSEY

ADOPTED DECEMBER 11, 1997

Sponsored by Assemblymen KELLY, DORIA, Felice, Blee,  
Senators Kyrillos and Kenny

1 AN ACT concerning health benefits coverage under the State Health  
2 Benefits Program of certain retired members of the Police and  
3 Firemen's Retirement System of New Jersey, the Public Employees'  
4 Retirement System of New Jersey and the Consolidated Police and  
5 Firemen's Pension Fund, amending P.L.1977, c.85 and  
6 supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).

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

10  
11 1. (New section) a. A qualified retiree from the Police and  
12 Firemen's Retirement System of New Jersey (C.43:16A-1 et seq.),  
13 hereinafter referred to as PFRS, the Consolidated Police and Firemen's  
14 Pension Fund (C.43:16-1 et seq.), hereinafter referred to as CPFPF,  
15 or the Public Employees' Retirement System of New Jersey  
16 (C.43:15A-1 et seq.), hereinafter referred to as PERS, and dependents,  
17 as defined in section 2 of P.L.1961, c.49 (C.52:14-17.26), of a  
18 qualified retiree, are eligible to participate in the program, in  
19 accordance with the law and rules governing the program, except as  
20 otherwise provided by this act, regardless of whether the retiree's  
21 employer participated in the program.

22 A qualified retiree is a retiree who:

23 (1) retired on a benefit based on 25 or more years of service credit  
24 in PFRS or CPFPF, or in PERS as a law enforcement officer as  
25 defined in section 1 of P.L.1955, c.257 (C.43:15A-97) or in a position  
26 eligible for participation in PFRS as provided in section 9 of P.L.1989,  
27 c.204 (C.43:16A-1.2); or

28 (2) retired on a disability retirement under PFRS or CPFPF, or

**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 under PERS as a law enforcement officer or in a position eligible for  
2 participation in PFRS, based on fewer years of service credit; and  
3 (3) was eligible to receive health benefits coverage at the expense  
4 of the employer of the person immediately preceding retirement.

5 b. The State shall pay the amount of the premium or periodic  
6 charges for the coverage for the qualified retiree and dependents, but  
7 not including survivors, equal to 80 percent of the premium or  
8 periodic charges for the category of coverage elected by the qualified  
9 retiree under the State managed care plan or a health maintenance  
10 organization participating in the program which provides services in  
11 the 21 counties in the State, whichever provides the lower premium or  
12 periodic charge. The qualified retiree shall pay the difference between  
13 the premium or periodic charge for the coverage and the amount paid  
14 by the State.

15 c. The State Health Benefits Commission shall annually certify to  
16 the State the cost for providing health benefits coverage to qualified  
17 retirees and their dependents under this section. The State shall  
18 annually remit to the commission the amount certified at a time  
19 specified by the State Treasurer.

20 d. The provisions of this section shall not apply to (1) a retired  
21 State employee whose premium or periodic charges for benefits under  
22 the program are paid by the State pursuant to section 8 of P.L.1961,  
23 c.49 (C.52:14-17.32) or section 6 of P.L.1996, c.8 (C.52:14-17.28b);  
24 and (2) a retiree of an employer other than the State which pays the  
25 premium or periodic charges for health care benefits for eligible  
26 retirees pursuant to section 7 of P.L.1964, c.125 (C.52:14-17.38) or  
27 N.J.S.40A:10-23 on the effective date of P.L. , c. (C. ) (now  
28 pending before the Legislature as this bill).

29  
30 2. (New section) A qualified retiree shall be eligible for the  
31 benefits provided by P.L. , c. (C. ) (now pending before the  
32 Legislature as this bill) at the time of retirement, or at the time the  
33 qualified retiree becomes eligible for Medicare. A qualified retiree  
34 receiving health benefits coverage from an employer after retirement  
35 shall be ineligible for the benefits under this act.

36  
37 3. (New section) No provision of this act shall be deemed to  
38 replace, supersede or modify retiree health care benefits provided by  
39 an employer by negotiated agreement, ordinance or resolution.

40  
41 4. Section 5 of P.L.1977, c.85 (C.34:13A-18) is amended to read  
42 as follows:

43 5. The arbitrator shall not issue any finding, opinion or order  
44 regarding the issue of whether or not a public employer shall remain  
45 as a participant in the New Jersey State Health Benefits Program or

1 any governmental retirement system or pension fund, or statutory  
2 retirement or pension plan; nor, in the case of a participating public  
3 employer, shall the arbitrator issue any finding, opinion or order  
4 regarding any aspect of the rights, duties, obligations in or associated  
5 with the New Jersey State Health Benefits Program or any  
6 governmental retirement system or pension fund, or statutory  
7 retirement or pension plan; nor shall the arbitrator issue any finding,  
8 opinion or order reducing, eliminating or otherwise modifying retiree  
9 benefits which exist as a result of a negotiated agreement, ordinance  
10 or resolution because of the enactment of legislation providing such  
11 benefits for those who do not already receive them.

12 (cf: P.L.1977, c.85, s.5)

13

14 5. (New section) Any qualified retiree who retired prior to the  
15 effective date of this act, P.L. ,c. (C. ) (now pending before the  
16 Legislature at this bill) shall be eligible for the coverage provided by  
17 section 1 of the act if the employee applies to the program for it within  
18 one year after the effective date of this act.

19

20 6. This act shall take effect on the first day of the sixth month  
21 following enactment.

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26 Provides certain contributory SHBP benefits to certain PFRS, CPFPPF  
27 and PERS retirees.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 3258

**STATE OF NEW JERSEY**

DATED: DECEMBER 11, 1997

The Assembly Appropriations Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 3258.

The Assembly Committee Substitute for Assembly Bill No. 3258 provides post-retirement health care benefits in the State Health Benefits Program (SHBP) to a qualified retiree from the Police and Firemen's Retirement System (PFRS) or the Consolidated Police and Firemen's Retirement System (CPFPPF), or from the Public Employees' Retirement System (PERS) if the retiree's service was as a law enforcement officer or in a position eligible for participation in PFRS, and to dependents of a qualified retiree, but not including survivors, regardless of whether the retiree's employer participated in the program.

The bill defines a qualified retiree as a retiree who (1) retired on a benefit based on 25 or more years of service credit in PFRS or CPFPPF, or in PERS as a law enforcement officer as defined in N.J.S.A.43:15A-97 or in a position eligible for participation in PFRS; or (2) retired on a disability retirement under PFRS or CPFPPF, or under PERS as a law enforcement officer or in a position eligible for participation in PFRS, based on fewer years of service credit.

The bill provides that the State shall pay 80 percent of the premium or periodic charges for the category of coverage elected by the qualified retiree under the State managed care plan (NJ Plus) or a health maintenance organization participating in the program which provides services in the 21 counties in the State, whichever provides the lower charge. The qualified retiree shall pay the difference between the premium or periodic charge for the coverage and the amount paid by the State.

Any qualified retiree who retired prior to the effective date of this act, P.L. .c. Shall be eligible for the coverage provided by section 1 of the act if the employee applies to the program for it within one year after the effective date of this act.

The provisions of the bill, however, shall not apply to (1) a retired State employee whose premium or periodic charges for benefits under the program are paid by the State pursuant to N.J.S.A.52:14-17.32 or N.J.S.A.52:14-17.28b; and (2) a retiree of an employer other than the

State which pays the premium or periodic charges for health care benefits for eligible retirees pursuant to N.J.S.A.52:14-17.38 or N.J.S.A.40A:10-23 on the effective date of the bill.

The bill states that no provision of the act shall be deemed to replace, supersede or modify retiree health care benefits provided by an employer by negotiated agreement, ordinance or resolution. The bill also provides that an arbitrator in a compulsory interest arbitration proceeding shall not issue any finding, opinion or order reducing, eliminating or otherwise modifying retiree benefits which exist as a result of a negotiated agreement, ordinance or resolution because of the enactment of legislation providing such benefits for those who do not already receive them.

**FISCAL IMPACT:**

The Department of Treasury, Division of Pensions and Benefits has not provided any fiscal data on this bill.

LEGISLATIVE FISCAL ESTIMATE TO  
ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 3258

**STATE OF NEW JERSEY**

DATED: JANUARY 2, 1998

Assembly Committee Substitute for Assembly Bill No. 3258 of 1997 provides post-retirement medical (PRM) benefits in the State Health Benefits Program (SHBP) to retirees of the Police and Firemen's Retirement System (PFRS), the Consolidated Police and Firemen's Pension Fund (CP&FPF) and retirees of the Public Employees' Retirement System (PERS) whose service was in law enforcement or in a position eligible for participation in PFRS, and dependents of a qualified retiree, but not including survivors, regardless of whether the retiree's employer participated in the SHBP. The bill defines a qualified retiree as a retiree who retired with 25 or more years of service credit or on a disability retirement allowance.

The bill provides that the State shall pay 80 percent of the premium or periodic charges for the category of coverage elected by the qualified retiree under the State managed care plan (NJ Plus) or a health maintenance organization participating in the SHBP which provides services in all 21 counties, whichever provides the lower charge. The qualified retiree shall pay the difference between the premium or periodic charge for the coverage and the amount paid by the State.

The provisions of the bill, however, do not apply to (1) a retired State employee whose premium or periodic charges for benefits under the program are paid by the State; and (2) a retiree of an employer other than the State which already provides retiree coverage as part of a collective bargaining agreement.

The Office of Legislative Services (OLS) notes that, under current law, local governments have the option of providing health insurance coverage for retirees as part of each local government's collective bargaining agreement with the unions representing police and firefighters. (State employees already receive State-paid PRM benefits; however, this benefit is negotiable.) The negotiated agreements currently in place range from no employer contribution for PRM benefits to full employer-paid PRM benefits. As a result, it is impossible to estimate the number of qualified retirees who would elect to participate in this program at this time.

The OLS notes that PRM benefits are payable over the remaining lifetime of the retiree. Because PFRS members can retire at any age after 25 years of service at 65 percent of final compensation, these individuals could qualify for State-paid PRM benefits as young as age 45. The present-value cost of providing lifetime PRM benefits (NJ

Plus or an HMO) to a PFRS member retiring at age 50, with the retiree paying 20 percent of the annual premium, is between \$61,000 (for husband and wife coverage) and \$72,000 (for family coverage).

According to the July 1, 1995 actuarial valuation of the retirement system, the most recent valuation, there are 15,609 retirees currently receiving a PFRS pension. The OLS estimates that approximately 86 percent of all PFRS retirees have 25 or more years of service or are retired on a disability pension. By applying this percentage to the estimated 15,609 retirees, we can estimate that approximately 13,424 retirees constitute the total current "universe" of potential PFRS qualifiers for State-paid PRM benefits. (The OLS notes that the PFRS totals include State and local government employees. The dollar estimates have been adjusted to recognize that State employees already receive State-paid PRM benefits.) In addition, there are 551 retirees currently receiving a CP&FPF pension and an unknown number of retirees from the PERS.

However, the bill excludes from eligibility a local PFRS retiree whose health care benefits were paid by a municipal or county government, and are still so being paid when this bill becomes effective. This exception is likely to disqualify a considerable percentage of current retirees from the State-paid program for retirees. No information has been made available to the OLS to indicate the number of local government employers who already provide health insurance through the SHBP or provide private carrier insurance. However, testimony offered by the New Jersey League of Municipalities suggests that between 60 and 70 percent of local public employers offer some type of PRM coverage to eligible retirees. If we assume that this percentage generally includes the larger municipalities, perhaps 80 percent of the eligible retirees already have employer-paid PRM coverage, leaving 20 percent not covered. Based on this assumption, the current universe of qualified retirees who would enroll in the State-paid program for retirees would be approximately 3,100.

The present-value cost of providing future PRM benefits to this estimated universe of qualified retirees, assuming all are enrolled in the State-paid program for retirees, would be between \$188.3 million and \$223.8 million. This cost would increase annually through inflation and as additional members retire and become eligible for this benefit.

According to the most recent actuarial valuation of the PFRS retirement system, approximately 1,150 members retire each year period with 25 or more years of service and 100 on a disability retirement allowance. (The CP&FPF is closed and there are no remaining active members.) Assuming 80 percent of the PFRS retirees receive employer-paid PRM benefits (and adjusting for State employees), then approximately 247 additional retirees would become newly eligible to receive this benefit annually.

The OLS notes that this bill does not specify a funding

methodology to determine the annual State contribution to pay for this benefit. There are a variety of funding practices that could be used, ranging from pay-as-you-go financing to actuarial reserve funding (also called advanced funding or prefunding). The financing methodology chosen has a significant effect on the annual payment schedule. Under pay-as-you-go financing, the State appropriates sufficient funds each year out of current operating revenues to meet the current expenditures (the post-retirement medical premiums). Pay-as-you-go financing initially requires the lowest annual State appropriations; however, pay-as-you-go appropriations increase sharply over time as additional members retire and are eligible to receive this benefit.

An alternative to pay-as-you-go financing is actuarial reserve or advanced funding. Advanced funding is the systematic contribution of funds to the retirement system which together with earnings are sufficient to fund the value of the benefits earned by active employees in the current year. Advanced funding generally results in higher initial costs that remain relatively constant over time. All of the State's major retirement systems prefund pension and cost-of-living adjustments (COLAs); however, the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) prefund only a portion of PRM benefits.

On a pay-as-you-go basis, the first-year cost to the State, if 20 percent of the qualified retirees, as of June 30, 1995, elect to participate in the State plan, would be approximately \$11.6 million. Retirements during the two years since the last actuarial valuation and the current year would add an additional \$3.2 million, for a total first-year cost of \$14.8 million.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.