

43:15A-7

**LEGISLATIVE HISTORY CHECKLIST**  
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(PERS - exemptions)

NJSA: 43:15A-7

LAWS OF: 1996 CHAPTER: 139

BILL NO: S84

SPONSOR(S): Lipman

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: State Government

SENATE: State Management

AMENDED DURING PASSAGE: Yes Amendments during passage denoted  
First reprint enacted by superscript number

DATE OF PASSAGE: ASSEMBLY: November 1, 1996

SENATE: March 21, 1996

DATE OF APPROVAL: December 20, 1996

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:  
REPORTS: No

HEARINGS: No

KBP:pp

[First Reprint]  
SENATE, No. 84

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator LIPMAN

1 AN ACT concerning enrollment of certain State employees in the  
2 Public Employees' Retirement System and amending P.L.1954,  
3 c.84.

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

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

10 7. There is hereby established the Public Employees' Retirement  
11 System of New Jersey in the Division of Pensions of the Department  
12 of the Treasury. The membership of the retirement system shall  
13 include:

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

18 b. Any person becoming an employee of the State or other  
19 employer after January 2, 1955 and every veteran, other than those  
20 whose appointments are seasonal, becoming an employee of the State  
21 or other employer after such date, including a temporary employee  
22 with at least one year's continuous service; and

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

26 d. Membership in the retirement system shall be optional for  
27 elected officials other than veterans, and for school crossing guards,  
28 who having become eligible for benefits under other pension systems  
29 are so employed on a part-time basis. Any such part-time school  
30 crossing guard who is eligible for benefits under any other pension  
31 system and who was hired as a part-time school crossing guard prior

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Senate SSM committee amendments adopted March 14, 1996.

1 to March 4, 1976, may at any time terminate his membership in the  
2 retirement system by making an application in writing to the board of  
3 trustees of the retirement system. Upon receiving such application,  
4 the board of trustees shall terminate his enrollment in the system and  
5 direct the employer to cease accepting contributions from the member  
6 or deducting from the compensation paid to the member. State  
7 employees who become members of any other retirement system  
8 supported wholly or partly by the State as a condition of employment  
9 shall not be eligible for membership in this retirement system.  
10 Notwithstanding any other law to the contrary, all other persons  
11 accepting employment in the service of the State shall be required to  
12 enroll in the retirement system as a condition of their employment,  
13 regardless of age. No person in employment, office or position, for  
14 which the annual salary or remuneration is fixed at less than  
15 \$1,500.00, shall be eligible to become a member of the retirement  
16 system.

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

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

31 g. Any school crossing guard electing to terminate his membership  
32 in the retirement system pursuant to subsection d. of this section shall,  
33 upon his request, receive a refund of his accumulated deductions as of  
34 the date of his appointment to the position of school crossing guard.  
35 Such refund of contributions shall serve as a waiver of all benefits  
36 payable to the employee, to his dependent or dependents, or to any of  
37 his beneficiaries under the retirement system.

38 h. A temporary employee who is employed under the federal Job  
39 Training Partnership Act, Pub.L.97-300 (29 U.S.C.§1501) shall not be  
40 eligible for membership in the system. Membership for temporary  
41 employees employed under the federal Job Training Partnership Act,  
42 Pub.L.97-300 (29 U.S.C.§1501) who are in the system on the effective  
43 date of this 1986 amendatory act shall be terminated, and affected  
44 employees shall receive a refund of their accumulated deductions as of  
45 the date of commencement of employment in a federal Job Training  
46 Partnership Act program. Such refund of contributions shall serve as

1 a waiver of all benefits payable to the employee, to his dependent or  
2 dependents, or to any of his beneficiaries under the retirement system.  
3 i. ~~1~~ **[A]** Membership in the retirement system shall be optional for  
4 a<sup>1</sup> special service employee who is employed under the federal Older  
5 American Community Service Employment Act, Pub.L.94-135 (42  
6 U.S.C. §3056) <sup>1</sup> ~~], shall not be eligible for membership in the retirement~~  
7 system. Membership for~~].~~ Any<sup>1</sup> special service <sup>1</sup>**[employees]**  
8 employee<sup>1</sup> employed under the federal Older American Community  
9 Service Employment Act, Pub.L.94-135 (42 U.S.C. §3056), who  
10 <sup>1</sup>**[are]** is<sup>1</sup> in the retirement system on the effective date of this act,  
11 P.L. , c. (C. ) (now pending before the Legislature as this bill),  
12 <sup>1</sup>**[shall be terminated, and affected employees]** may terminate  
13 membership in the retirement system by making an application in  
14 writing to the board of trustees of the retirement system. Upon  
15 receiving the application, the board shall terminate enrollment in the  
16 system and the member<sup>1</sup> shall receive a refund of <sup>1</sup>**[their]**<sup>1</sup>  
17 accumulated deductions as of the date of commencement of  
18 employment in a federal Older American Community Service  
19 Employment Act program. This refund of contributions shall serve as  
20 a waiver of all benefits payable to the employee, to any dependent or  
21 dependents, or to any beneficiary under the retirement system.  
22 (cf: P.L.1986, c.139, s.1)

23

24 2. This act shall take effect immediately.

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29 Exempts certain special service employees from PERS enrollment.

1 dependents, or to any of his beneficiaries under the retirement system.  
2 i. A special service employee who is employed under the federal  
3 Older American Community Service Employment Act, Pub.L.94-135  
4 (42 U.S.C.§3056), shall not be eligible for membership in the  
5 retirement system. Membership for special service employees  
6 employed under the federal Older American Community Service  
7 Employment Act, Pub.L.94-135 (42 U.S.C.§3056), who are in the  
8 retirement system on the effective date of this act, P.L. , c. (C.  
9 ) (now pending before the Legislature as this bill), shall be terminated,  
10 and affected employees shall receive a refund of their accumulated  
11 deductions as of the date of commencement of employment in a  
12 federal Older American Community Service Employment Act  
13 program. This refund of contributions shall serve as a waiver of all  
14 benefits payable to the employee, to any dependent or dependents, or  
15 to any beneficiary under the retirement system.  
16 (cf: P.L.1986, c.139, s.1)

17

18 2. This act shall take effect immediately.

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#### STATEMENT

22

23 This bill exempts certain persons employed by the State under a  
24 program under the federal Older American Community Service  
25 Employment Act from membership in the State Public Employees'  
26 Retirement System (PERS). If the bill is enacted, these employees will  
27 be removed from the retirement system and will receive a refund of  
28 their accumulated deductions.

29 The employees to whom this bill applies are at least 55 years of age  
30 and receive minimum wages for part-time employment in the Senior  
31 Community Service Employment Program of the Older Americans Act,  
32 administered by the Division of Aging in the Department of  
33 Community Affairs. The program employs 580 older persons who are  
34 at or near the poverty level. The program's current budget is \$2.7  
35 million comprised of 90% federal funds and 10% state matching funds.  
36 The program participants receive minimum wage for an average of 20  
37 hours work per week. According to the Division of Aging, enrollment  
38 of these persons into the State retirement system for public employees  
39 imposes an economic hardship due to the age of the employees and the  
40 limited income they derive from this employment.

41 In order to retain federal funds, the Department of Community  
42 Affairs must maintain a minimum of 510 employees in this program  
43 and place 30% of them into non-subsidized employment each year.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 84

**STATE OF NEW JERSEY**

DATED: JUNE 10, 1996

The Assembly State Government Committee reports favorably Senate, No. 84(1R).

This bill makes membership in the Public Employees' Retirement System (PERS) optional for a special service employee employed under the federal Older American Community Service Employment Act. Any such employee who is in the retirement system on the effective date of this act may terminate membership in the retirement system by making an application in writing to the board of trustees of the retirement system. Upon receiving the application, the board shall terminate enrollment in the system and the member shall receive a refund of accumulated deductions from the date of commencement of employment in a program under the Act. This refund shall serve as a waiver of all benefits payable under the retirement system.

The employees to whom this bill applies are at least 55 years of age and receive minimum wages for part-time employment under the Senior Community Service Employment Program which is administered by the Division on Aging in the Department of Community Affairs. According to the sponsor's statement to the bill, the program employs approximately 580 persons who are at or near the poverty level. The program's budget is comprised of 90% federal funds and 10% State matching funds. Program participants receive the minimum wage for an average of 20 hours work per week. According to the Division on Aging, enrollment of these persons in PERS imposes an economic hardship due to the age of the employees and the limited income they derive from this employment.

SENATE STATE MANAGEMENT, INVESTMENT AND  
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

**SENATE, No. 84**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MARCH 14, 1996

The Senate State Management, Investment and Financial Institutions Committee reports favorably and with committee amendments Senate, No. 84.

This bill makes membership in the Public Employees' Retirement System (PERS) optional for a special service employee employed by the State under the federal Older American Community Service Employment Act. Any such employee who is in the retirement system on the effective date of this act may terminate membership in the retirement system by making an application in writing to the board of trustees of the retirement system. Upon receiving the application, the board shall terminate enrollment in the system and the member shall receive a refund of accumulated deductions. This refund shall serve as a waiver of all benefits payable under the retirement system.

The employees to whom this bill applies are at least 55 years of age and receive minimum wages for part-time employment under the Senior Community Service Employment Program which is administered by the Division of Aging in the Department of Community Affairs. The program employs approximately 580 persons who are at or near the poverty level. The program's budget is comprised of 90% federal funds and 10% state matching funds. Program participants receive the minimum wage for an average of 20 hours work per week. According to the Division of Aging, enrollment of these persons in PERS imposes an economic hardship due to the age of the employees and the limited income they derive from this employment.

In order to retain federal funds, the Department of Community Affairs must maintain a minimum of 510 employees in this program and place 30% of them in non-subsidized employment each year.

This bill was prefiled for introduction in the 1996 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.

Last session, a bill mandating termination of the membership of such employees (S-195) was approved by the Pension and Health

Benefits Review Commission.

COMMITTEE AMENDMENT

The committee amended the bill to make membership in the retirement system optional for these employees instead of removing them from membership in the retirement system.



# LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]  
**SENATE, No. 84**

## **STATE OF NEW JERSEY**

DATED: April 11, 1996

Senate Bill No. 84 (IR) of 1996 provides that membership in the Public Employees' Retirement System (PERS) shall be optional for a special service employee who is employed under the federal Older American Community Service Employment Act. Special service employees employed under that federal law who are currently enrolled in the retirement system on the effective date of this act may terminate membership in the retirement system by making an application in writing to the board of trustees. Upon receiving the application, the board shall terminate enrollment in the system and the member shall receive a refund of his or her accumulated deductions as of the date of commencement of employment in a federal Older American Community Service Employment Act program. This refund of contributions shall serve as a waiver of all benefits payable to the employee, to any dependent or dependents, or to any beneficiary under the retirement system.

The Office of Legislative Services (OLS) notes that the federal Older American Community Service Employment Act is designed to promote useful part-time community service activities for unemployed low-income persons over the age of 55 with poor employment prospects. The law provides that these employees are not federal employees and they are not eligible for federal employee retirement benefits.

The OLS notes that under current law, public employees earning over \$1,500 per year are required to enroll in PERS and contribute 5.0 percent of their salary to fund the retirement system. The employer contribution, based on the March 31, 1995 valuation of the retirement system, is 1.36 percent of salary. This employer contribution is reimbursed from the federal funds available for this program.

Although the pension system will lose future employer and employee contributions for employees in this program, there will be no additional cost to the retirement system or the State or local government employers because these employees will not be eligible to receive a retirement benefit.

The OLS notes that although the bill provides for a refund of the accumulated deductions or employee contributions to fund the retirement system for existing employees, it does not specify if the refund is to include interest. The Pension Funds Revaluation Act of 1992 (P.L. 1992, c.41) set the "interest rate assumption" for the

various State-administered retirement systems at 8.75 percent. Under current law, employees withdrawing from PERS service or who cease to be an employee for any cause other than death or retirement are entitled to the return of the employee's accumulated deductions (employee contributions) plus interest of 2.0 percent per annum. Current law also provides that no interest is payable to employees with less than three years of creditable service.

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.