

18A:66-104

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(School district employees--pensions)

NJSA: 18A:66-104

LAW OF: 1995 **CHAPTER:** 240

BILL NO: A1408

SPONSOR(S): DiGaetano and others

DATE INTRODUCED: February 28, 1994

COMMITTEE: **ASSEMBLY** Appropriations; State Government

SENATE: ---

AMENDED DURING PASSAGE: Yes Amendments during passage
Third reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** June 19, 1995

SENATE: June 26, 1995

DATE OF APPROVAL: August 29, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes 2-23-95 & 5-2-94

SENATE: No

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REPORTS: No

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[THIRD REPRINT]
ASSEMBLY, No. 1408

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 28, 1994

By Assemblymen DiGAETANO, KELLY and Mattison

1 AN ACT concerning pension funds of school district employees in
2 first-class counties and amending and repealing various parts
3 of the statutory law.

4

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

7 1. N.J.S.18A:66-104 is amended to read as follows:

8 18A:66-104. "Veteran" means any honorably discharged
9 officer, soldier, sailor, airman, marine or nurse who served in any
10 army, air force or navy of the allies of the United States in world
11 war I, between July 14, 1914, and November 11, 1918, or who
12 served in any army, air force or navy of the allies of the United
13 States in world war II, between September 1, 1939, and
14 September 2, 1945, and who was inducted into such service
15 through voluntary enlistment, and was a citizen of the United
16 States at the time of such enlistment, and who did not, during or
17 by reason of such service, renounce or lose his United States
18 citizenship, and any officer, soldier, sailor, marine, airman, nurse
19 or army field clerk, who has served in the active military or naval
20 service of the United States and has or shall be discharged or
21 released therefrom under conditions other than dishonorable, in
22 any of the following wars, uprisings, insurrections, expeditions, or
23 emergencies, and who has presented to the board of trustees
24 evidence of such record of service in form and content
25 satisfactory to said board of trustees:

26 (a) The Indian wars and uprisings during any of the periods
27 recognized by the war department of the United States as periods
28 of active hostility;

29 (b) The Spanish-American war between April 20, 1898, and
30 April 11, 1899;

31 (c) The Philippine insurrections and expeditions during the
32 periods recognized by the war department of the United States as
33 of active hostility from February 4, 1899, to the end of 1913;

34 (d) The Peking relief expedition between June 20, 1900, and
35 May 27, 1902;

36 (e) The army of Cuban occupation between July 18, 1898, and
37 May 20, 1902;

38 (f) The army of Cuban pacification between October 6, 1906,
39 and April 1, 1909;

40 (g) The Mexican punitive expedition between March 14, 1916,
41 and February 7, 1917;

42 (h) The Mexican border patrol, having actually participated in

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ASG committee amendments adopted May 2, 1994.

² Assembly AAP committee amendments adopted February 23, 1995.

² Assembly floor amendments adopted June 12, 1995.

1 engagements against Mexicans between April 12, 1911, and June
2 16, 1919;

3 (i) World war I, between April 6, 1917, and November 11, 1918;

4 (j) World war II, between September 16, 1940, and September
5 2, 1945, who shall have served at least 90 days in such active
6 service, exclusive of any period he was assigned (1) for a course
7 of education or training under the army specialized training
8 program or the navy college training program which course was a
9 continuation of his civilian course and was pursued to completion,
10 or (2) as a cadet or midshipman at one of the service academies
11 any part of which 90 days was served between said dates;
12 provided, that any person receiving an actual service incurred
13 injury or disability shall be classed as a veteran whether or not he
14 has completed the 90-day service as herein provided.

15 (k) [Emergency] Korean conflict, [at any time] on or after June
16 23, 1950, and on or prior to January 31, 1955, who shall have
17 served at least 90 days in such active service, exclusive of any
18 period he was assigned (1) for a course of education or training
19 under the army specialized training program or the navy college
20 training program which course was a continuation of his civilian
21 course and was pursued to completion, or (2) as a cadet or
22 midshipman at one of the service academies, any part of which 90
23 days was served between said dates; provided, that any person
24 receiving an actual service incurred injury or disability shall be
25 classed as a veteran whether or not he has completed the 90-day
26 service as herein provided; and provided further, that any
27 member classed as a veteran pursuant to this subparagraph prior
28 to August 1, 1966, shall continue to be classed as a veteran
29 whether or not he completed the 90-day service between said
30 dates as herein provided.

31 (l) Vietnam conflict, on or after December 31, 1960, and on or
32 prior to May 7, 1975, who shall have served at least 90 days in
33 such active service, exclusive of any period he was assigned (1)
34 for a course of education or training under the Army Specialized
35 Training Program or the Navy College Training Program, which
36 course was a continuation of his civilian course and was pursued
37 to completion, or (2) as a cadet or midshipman at one of the
38 service academies, any part of which 90 days was served between
39 said dates; and exclusive of any service performed pursuant to
40 the provisions of section 511(d) of Title 10, United States Code,
41 pursuant to an enlistment in the Army National Guard or as a
42 reserve for service in the Army Reserve, Naval Reserve, Air
43 Force Reserve, Marine Corps Reserve, or Coast Guard Reserve;
44 provided, that any person receiving an actual service incurred
45 injury or disability shall be classed as a veteran whether or not he
46 has completed the 90 days service as herein provided.

47 "Veteran" also means any honorably discharged member of the
48 American Merchant Marine who served during World War II and is
49 declared by the United States Department of Defense to be
50 eligible for federal veterans' benefits.

51 (cf: P.L.1991, c.389, s.5)

52 2. N.J.S.18A:66-106 is amended to read as follows:

53 18A:66-106. a. Persons heretofore permanently or
54 provisionally employed by such boards of education who became

1 members of the pension fund at any time prior to June 26, 1962,
2 shall be permitted to purchase credit covering any period of
3 temporary, permanent or provisional service preceding said
4 permanent or provisional employment, by making application
5 therefor, and in such case, the payments to be made by the
6 employee and board of education for such previous service shall
7 be based on appropriate tables of factors submitted by the
8 actuary as being applicable to the salary and contribution rate in
9 effect at the time of making the application to purchase such
10 credit. Persons becoming members thereafter shall be permitted
11 to purchase credit for any temporary service which immediately
12 precedes their permanent or provisional appointment by making
13 application therefor at the time of becoming members and paying
14 into the fund, the amount determined to be due for such service
15 on the basis of appropriate tables of factors submitted by the
16 actuary as being applicable to the salary and contribution rate in
17 effect based on the salary at that time.

18 Any person coming into the employ of any such board of
19 education as a provisional employee after June 26, 1962, shall
20 become a member of the pension fund as a condition of
21 employment.

22 A member shall have the right to purchase credit for any
23 period of service in other municipalities or governmental units in
24 this State or in any other State of the United States of America,
25 rendered by the member prior to becoming a member up to the
26 nearest number of years and months but not exceeding 10 years,
27 by making application therefor at the time of becoming a
28 member or for present members within 2 years of the effective
29 date of this 1968 amendatory act and in such case the payments
30 to be made by the employee and the employing board of
31 education for such service credits shall be on the basis of
32 appropriate tables of factors submitted by the actuary as being
33 applicable to the salary and contribution rate in effect based on
34 the salary at the time of making application.

35 b. For a period of two years after the effective date of this
36 act, (P.L. , c.) (now pending before the Legislature as this
37 bill), any member who meets the definition of "veteran" as set
38 forth in N.J.S.18A:66-104 may, upon filing an application with
39 the board of trustees of the pension fund, purchase credit for up
40 to five years of military service in the Armed Forces of the
41 United States prior to his enrollment in the retirement system.
42 The member may purchase credit for the service by paying into
43 the pension fund the amount required by applying the factor,
44 supplied by the actuary as being applicable to the member's age
45 at the time of the purchase, to the member's salary at that time
46 or to the highest annual compensation for service in the school
47 district for which contributions were made during any prior fiscal
48 year of membership, whichever is greater. Any member electing
49 to purchase this service credit who retires prior to completing
50 payment shall receive credit only for the service purchased,
51 unless at the time of retirement the member makes a lump sum
52 payment necessary to purchase full credit.

53 (cf: P.L.1968, c.364, s.3)

54 3. N.J.S.18A:66-108 is amended to read as follows:

1 18A:66-108. a. The board of trustees may, in the manner
2 prescribed by the bylaws of the corporation, assess and collect
3 monthly or semimonthly from each member of the pension fund
4 the amount required to be paid by said member into the fund. All
5 moneys so collected shall be paid to the treasurer of the
6 corporation.

7 The board of trustees may make it a condition of membership
8 that each member sign an order on the [custodian] treasurer of
9 school moneys, or other disbursing officer, directing the retention
10 from his or her salary or wages of the amount of his or her
11 assessments and the payment of the amount so retained directly
12 to the treasurer of the corporation, and the [custodian] treasurer
13 of school moneys, or other disbursing officer, shall make such
14 retention and payment, but such right of retention and payment
15 shall become operative only in the event of the same being
16 authorized by the bylaws of the corporation.

17 b. Whenever any member shall die in service or his or her
18 employment be terminated, for reasons other than retirement, all
19 payments made by such employee to the fund shall be returned to
20 the employee, if alive; or to such person, if living, as he shall
21 have nominated by written designation, duly executed and filed
22 with the board of trustees; otherwise to the executor or
23 administrator of the member's estate, together with simple
24 interest at the rate of [2%] 4% per annum.

25 c. Upon the receipt of proper proof of the death of a member
26 in service, on account of which no accidental death benefit is
27 payable under subsection e. of this section or the death of a
28 member who has been retired for disability but who has not yet
29 attained 60 years of age, there shall be paid to such person, if
30 living, as he shall have nominated by written designation, duly
31 executed and filed with the board of trustees, otherwise to the
32 executor or administrator of the member's estate an amount
33 equal to one and one-half times the compensation upon which his
34 contributions are based or received by the member in the last
35 year of creditable service; provided, however, that if such a
36 member shall have attained 70 years of age or the member who
37 has been retired for disability has attained 60 years of age, the
38 amount payable shall equal three-sixteenths of the compensation
39 received by the member in the last year of creditable service
40 instead of one and one-half times such compensation. Such
41 member may also file, and alter from time to time during his
42 lifetime, as desired, a request with the board of trustees
43 directing payment of said benefit in one sum or in equal
44 installments over a period of years or as a life annuity. Upon the
45 death of such member, a beneficiary to whom a benefit is payable
46 in one sum may elect to receive the amount payable in equal
47 annual installments over a period of years or as a life annuity.

48 d. Whenever any member who was a member on June 26, 1962,
49 shall die after retirement on pension, not having received in
50 pension payments an amount equal to the total amount of his or
51 her contributions to the fund, including simple interest at 2% per
52 annum, the difference between the amount so received and the
53 amount of contributions, plus interest, shall be paid to the
54 surviving named beneficiary on file with the board of trustees,

1 and if none, then to his or her legal representative; unless said
2 employee has made provision with the board of trustees for
3 optional benefits under the provisions of section 18A:66-110.

4 e. Upon the death of a member in active service as a result of
5 an accident in the performance of his or her duties as such
6 employee and not as the result of his willful negligence, an
7 accidental death benefit shall be payable, if a report, in a form
8 acceptable to the board of trustees, of the accident is filed with
9 the pension fund within 60 days next following the accident and
10 an application for such benefit is filed with the said board of
11 trustees within two years of the date of the accident, but the
12 board of trustees may waive such time limits for a reasonable
13 period, if in the judgment of the board the circumstances warrant
14 such action. Evidence must be submitted to the board of trustees
15 proving that the natural and proximate cause of death was an
16 accident arising out of and in the course of employment at some
17 definite time and place. Upon application by or on behalf of the
18 dependents of such deceased member, the board of trustees, in
19 addition to the payment of his contributions, as provided in this
20 section, shall grant a pension of one-half of the average annual
21 salary received by him or her during the three years immediately
22 preceding his or her death [if the member was a male employee,
23 as a pension to his widow, to continue during her widowhood; or if
24 no widow, or in case the widow dies or remarries before the
25 youngest child of such deceased member attains age 18, or if the
26 member was a married female employee,] to the spouse of the
27 deceased member or, if no surviving spouse, then to the child or
28 children of such member under age 18, divided in such manner as
29 the board in its discretion shall determine to continue until the
30 youngest surviving child dies or attains age 18.

31 (cf: P.L.1983, c.216, s.4)

32 4. Section 10 of P.L.1983, c.216 (C.18A:66-109.1) is amended
33 to read as follows:

34 10. Any member who has at least three years of service to his
35 credit for which he has contributed as a member may borrow
36 from the retirement system an amount equal to not more than
37 50% of the amount of his accumulated deductions, but not less
38 than \$50.00; provided that the amount so borrowed, together with
39 interest thereon, can be repaid by additional deductions from
40 compensation, not in excess of 25% of the member's
41 compensation, made at the same time compensation is paid to the
42 member. The amount so borrowed, together with the interest at
43 the rate of 7 1/2 % per annum on any unpaid balance thereof,
44 shall be repaid to the retirement system in equal installments by
45 deduction from the compensation of the member at the time the
46 compensation is paid or in such lump sum amount sufficient to
47 repay the balance of the loan, but the rate at which any
48 installment is deducted shall be at least equal to the member's
49 rate of contribution to the retirement system and at least
50 sufficient to repay the amount borrowed, with interest thereon.
51 Not more than two loans may be granted to any member in any
52 calendar year. Notwithstanding any other law affecting the salary
53 or compensation of any person or persons to whom this act
54 applies or shall apply, the additional deductions required to repay

1 the loan shall be made.

2 Loans shall be made to a member from his accumulated
3 deductions. The interest earned on those loans shall be treated in
4 the same manner as interest earned from investments of the
5 retirement system. In the case of any member who retires by
6 reason other than disability and without repaying the full amount
7 so borrowed, the [Division of Pensions] pension fund shall retain
8 the retirement benefit payments, excluding authorized deductions
9 of the member, as repayment of the loan until the aggregate
10 amount of those retirement benefit payments is equal to the
11 outstanding balance of the loan, together with the interest at the
12 rate of 7 1/2 % per annum on the amount so borrowed, at which
13 time the retired member shall receive his retirement benefit
14 payments.

15 In the event a member retires by reason of disability without
16 having repaid the full amount borrowed, then the retirement
17 benefits to which he would otherwise be entitled shall be paid,
18 less a deduction for the loan repayment. Subject to the approval
19 of the board upon application by the retiree, the deduction from
20 periodic benefits for a loan repayment may be reduced or
21 otherwise adjusted, provided however that this deduction shall
22 equal the lesser of the amount paid prior to the retirement or
23 20% of the periodic retirement benefit, whichever is less.

24 In the case of a pensioner who dies before the outstanding
25 balance of the loan and interest thereon has been recovered, the
26 remaining balance shall be repaid from the proceeds of any other
27 benefits payable on the account of the pensioner, either in the
28 form of monthly payments due to his beneficiaries or in the form
29 of lump sum payments payable for pension or group life insurance.
30 (cf: P.L.1983, c.216, s.10)

31 5. N.J.S.18A:66-110 is amended to read as follows:

32 18A:66-110. Pensions shall be paid from the fund in the
33 manner following:

34 a. A member of the pension fund who was a member on or
35 before June 26, 1962 and who has or shall hereafter have credit in
36 the pension fund for 30 years or more as an employee of a board
37 of education in a county wherein the fund has been established
38 and maintained shall, upon application to the board of trustees of
39 the pension fund, be retired by such board of trustees and shall
40 thereupon receive annually from the fund, for and during the
41 remainder of his or her life, by way of pension, an amount equal
42 to [~~one-sixtieth~~] one-fiftieth of the average annual compensation
43 received in [~~the last~~] any three years of creditable service
44 [~~immediately preceding his or her retirement~~] providing the
45 largest possible benefit multiplied by the number of years he or
46 she has credit in the pension fund, the amount to be determined
47 by resolution of the board.

48 b. Upon the retirement of a member who has reached the age
49 of 60 years, the person so retired shall be entitled to receive
50 during his or her life, by way of pension, [~~one-sixtieth~~]
51 one-fiftieth of the average annual compensation received in [~~the~~]
52 any three years of creditable service [~~immediately preceding his~~
53 ~~or her retirement~~] providing the largest possible benefit
54 multiplied by the number of years for which he or she has credit

1 in the pension fund, the amount to be determined by resolution of
2 the board. Upon the receipt of proper proof of death of a
3 member who has retired on a service retirement allowance, there
4 shall be paid to such person, if living, as he shall have nominated
5 by written designation duly executed and filed with the board of
6 trustees, otherwise to the executor or administrator of the
7 member's estate an amount equal to one-half of the highest
8 annual compensation received by the member in [the last] any
9 year of creditable service.

10 c. A member of the fund who has credit therein for 10 years,
11 who shall become incapacitated, either mentally or physically,
12 and who cannot perform the regular duties of employment, or
13 who is found unfit for the performance of his or her duties, upon
14 the application of his employer or upon his own application or the
15 application of someone acting in his behalf, shall be retired by
16 the board of trustees of the pension fund and thereupon shall
17 receive annually from the fund a retirement allowance as
18 described in subsection b. of this section if he has reached or
19 passed age 60 and if he is under age 60, an amount equal to
20 nine-tenths of [~~one-sixtieth~~] one-fiftieth of the average annual
21 compensation received in [the last] any three years of creditable
22 service [~~immediately preceding the retirement~~] providing the
23 largest possible benefit multiplied by the number of years of
24 creditable service; provided, however, that in no event shall the
25 pension be based upon less than 17 years nor more than 30 years
26 of service unless the member would have had less than 17 years
27 of service at age 60, in which event he shall be given credit for
28 the years to age 60; however, a member who has not attained age
29 70 who shall become incapacitated, either mentally or physically,
30 [as a result of personal injuries sustained in an accident] as a
31 direct result of a traumatic event occurring in the performance
32 of his or her duties of such employee, shall, upon the application
33 of his employer or upon his own application or the application of
34 someone acting in his behalf, be retired by the board of trustees
35 of the pension fund, and, thereupon, if a report of the accident, in
36 a form acceptable to the board of trustees of the pension fund, is
37 filed with the said board of trustees within 60 days next following
38 the accident and the application for retirement is filed with the
39 said board of trustees within two years of the date of the
40 accident, shall receive annually from the fund an amount equal to
41 two-thirds of the annual salary being received by such employee
42 on the date of the accident. The board of trustees may waive
43 strict compliance with the time limits within which a report of
44 the accident and an application for retirement must be filed with
45 the board if it is satisfied: (1) that a report of the accident from
46 which the disability is claimed to have resulted was filed with the
47 employing board of education with reasonable promptitude and in
48 no event later than 60 days after the accident, and (2) the
49 applicant shall show that his failure to file a report with the
50 board of trustees or to file his application for retirement within
51 the time limited by law was due to mistake, inadvertence,
52 ignorance of fact or law, inability, or to the fraud,
53 misrepresentation or deceit of any person, or to a delay in the
54 manifestation of the incapacity, or to any other reasonable cause

1 or excuse, and (3) that the application for retirement was filed in
2 good faith and the circumstances justify its favorable
3 consideration.

4 The trustees of the pension fund shall have the power to
5 determine whether or not any employee is permanently and
6 totally disabled, and whether or not a disability of an employee is
7 the direct result of [an accident] a traumatic event occurring at
8 some definite time and place in the performance of his or her
9 duties as such employee. The claimant shall have the right to
10 present physicians, witnesses or other testimony in his or her
11 behalf before the board of trustees. The chairman, or any other
12 member of the board of trustees, may administer oaths to any
13 physician or other persons called before the trustees regarding
14 the employee's disability. The board of trustees shall decide, by
15 resolution, whether the applicant is entitled to the benefit of this
16 article.

17 Permanent and total disability resulting from a cardiovascular,
18 pulmonary or muscular-skeletal condition which was not a direct
19 result of a traumatic event occurring in the performance of duty
20 shall be deemed an ordinary disability.

21 Once in each year, the board of trustees may, and upon the
22 member's application shall, require any member retired for a
23 disability, who is under the age of 60, to undergo medical
24 examination by a physician or physicians designated by the board
25 of trustees. The examination shall be made at the residence of
26 the pensioner or any other place mutually agreed upon. If the
27 physician or physicians thereupon report and certify to the board
28 of trustees that the disabled pensioner is not permanently and
29 totally incapacitated, either mentally or physically, for the
30 performance of duty, and the board finds that said member is
31 engaged in a gainful occupation, or could be engaged in a gainful
32 occupation, and if the board concurs in the report, then the
33 amount of the pension shall be reduced to an amount which, when
34 added to the amount then being earned by him or her or an
35 amount which he or she could earn if gainfully employed, shall
36 not exceed the amount of compensation received by him or her at
37 the time of his or her retirement, including any cost of living
38 adjustment. If subsequent examination of such pensioner shows
39 that his or her earnings have changed since the date of his or her
40 last examination, then the amount of the pension shall be further
41 altered, but the new pension shall not exceed the amount of the
42 pension originally granted, nor shall the new pension, when added
43 to the amount then being earned by the pensioner, exceed the
44 salary or compensation received by him or her at the time of his
45 or her retirement, including any cost of living adjustment.

46 d. At the time of retirement, any member may elect to
47 receive his or her benefits in a retirement allowance payable
48 throughout life, or he or she may, on retirement, elect to convert
49 the benefits, otherwise payable to him or her, into a retirement
50 allowance of the equivalent actuarial value computed on the basis
51 of such mortality tables as shall be adopted by the board of
52 trustees, in accordance with one of the optional forms following:

53 Option 1. A reduced retirement allowance, payable during life,
54 with a provision that in the case of death, before the total

1 pension payments have equaled the actuarial value computed as
2 aforesaid, the balance shall be paid to his or her surviving
3 designated beneficiary, duly acknowledged and filed with the
4 board of trustees; and if none, then to the executor or
5 administrator of his or her estate.

6 Option 2. A reduced retirement allowance, payable during the
7 retired member's life, with the provision that after his or her
8 death it will continue during the life of and be paid to his or her
9 designated beneficiary, if such person survives him or her.

10 Option 3. A reduced retirement allowance, payable during the
11 retired member's life, with the provision that after his or her
12 death, an allowance at one-half of the rate of his or her reduced
13 allowance will be continued during the life of and be paid to his
14 or her designated beneficiary, if such person survives him or her.

15 Option 4. A reduced retirement allowance, payable during the
16 retired member's life, with some other benefit payable after his
17 or her death, provided the benefit is approved by the board of
18 trustees.

19 No optional selection shall be effective in case a member dies
20 within 30 days after retirement and such a member shall be
21 considered an active member at the time of death until the first
22 payment on account of any benefit becomes normally due.

23 The board of trustees shall, from time to time and as often as
24 they deem it necessary, employ an actuary, who shall
25 recommend, and the board shall keep in convenient form, such
26 data as shall be necessary for actuarial valuations of the various
27 funds created by this article. At least once in every five-year
28 period, or more frequently as determined by the board of
29 trustees, the actuary shall make an actuarial investigation into
30 the mortality, service and salary experience of the members and
31 beneficiaries of the retirement system, and shall make a
32 valuation of the assets and liabilities of the various funds thereof,
33 and upon the basis of such investigation the board of trustees
34 shall:

35 (a) Adopt for the retirement system such mortality, service
36 and other tables as shall be deemed necessary.

37 (b) Certify the rate of contribution which shall be made by
38 each board of education to the pension fund as provided by this
39 article.

40 (cf: P.L.1983, c.216, s.6)

41 6. N.J.S.18A:66-113 is amended to read as follows:

42 18A:66-113. A member of the pension fund who has 10 years
43 of service credit in the pension fund and who separates
44 voluntarily or involuntarily before attaining the age of 60 years,
45 and not by removal for cause on charges of misconduct or
46 delinquency, may elect to receive a deferred retirement
47 allowance beginning at the age of 60 years, equal to
48 ~~[one-sixtieth]~~ one-fiftieth of the average annual compensation
49 received by him during [the] any three years [immediately
50 preceding his separation from service] of creditable service
51 providing the largest possible benefit multiplied by the number of
52 years of credited service, with optional privileges as provided for
53 in subsection d. of section 18A:66-110.

54 Such member shall advise the board of trustees of his election

1 of such a deferred retirement allowance in writing, and shall
2 complete such forms as shall be specified by the board of trustees
3 in its administration of this section.

4 Subsequent to making such an election, but prior to attaining
5 age 60, a member may later elect to withdraw all payments
6 which he has made to the pension fund together with simple
7 interest at the rate of [2%] 4% per annum figured on such
8 employee contributions. Upon such withdrawal of contributions,
9 no further benefits shall be payable on behalf of said employee by
10 the pension fund. If such a member should die before attaining
11 the age of 60 years, all payments which he has made, together
12 with simple interest at the rate of [2%] 4% per annum figured on
13 such employee's contributions to the fund from the date of
14 membership, shall be paid to such person, if living, as he shall
15 have nominated by written designation duly executed and filed
16 with the board of trustees, otherwise to the executor or
17 administrator of the member's estate.

18 Any member who, having elected to receive a deferred
19 retirement allowance, again becomes an employee covered by the
20 retirement system while under the age of 60 shall thereupon be
21 reenrolled. He shall be credited with all service as a member
22 standing to his credit at the time of his election to receive a
23 deferred retirement allowance.

24 (cf: P.L.1983, c.216, s.7)

25 7. Section 4 of P.L.1971, c.382 (C.18A:66-113.1) is amended to
26 read as follows:

27 4. Should a member resign after having established 25 years of
28 creditable service before reaching age 60, he may elect "early
29 retirement," provided that such election is communicated by such
30 member to the retirement system by filing a written application,
31 duly attested, stating at what time subsequent to the execution
32 and filing thereof he desires to be retired. He shall receive in lieu
33 of any other payment provided for in section 18A:66-113
34 retirement allowance of [~~one-sixtieth~~] one-fiftieth of his average
35 annual compensation received in [the last] any three years of
36 creditable service [~~preceding his retirement~~] providing the largest
37 possible benefit for each year of service credited reduced by
38 one-quarter of 1% for each month that the member lacks of
39 being age 55.

40 (cf: P.L.1983, c.216, s.8)

41 8. N.J.S.18A:66-114 is amended to read as follows:

42 18A:66-114. a. Any public employee veteran in office,
43 position or employment with a board of education or a school
44 district on June 26, 1962, who is or becomes a member of a
45 pension fund established under article 16 of chapter 5 of Title 18
46 of the Revised Statutes or this article, and who is or who remains
47 in such service until he attains 60 years of age and who has or
48 shall have been for 20 years in the aggregate in office, position or
49 employment with this state or of a county, municipality, or
50 school district or board of education, satisfactory evidence of
51 which service has been presented to the board of trustees, shall
52 have the privilege of retiring and of receiving annually from the
53 fund, for and during the remainder of his life, by way of pension,
54 one half of the compensation which he received throughout his

1 last year of employment, with the optional privileges provided in
2 subsection d. of section 18A:66-110. "Last year of employment,"
3 as herein last used shall mean the 12-month period preceding the
4 date of retirement, regardless of the date when such retirement
5 occurs, provided the date of retirement is after June 26, 1962.

6 b. Any veteran who took or shall take office, position or
7 employment with a board of education or a school district after
8 June 26, 1962 and who shall become a member of the pension
9 fund after such date, and who shall have attained 62 years of age
10 and who shall present to the board of trustees satisfactory
11 evidence of 20 years of aggregate service in office, position or
12 employment with this state or with a county, municipality, or
13 school district or board of education, shall have the privilege of
14 retiring and of receiving annually from the fund, for and during
15 the remainder of his life, by way of pension, one half of the
16 compensation which he received throughout his last year of
17 employment upon which compensation he made contributions to
18 the pension fund, with the optional privileges provided in
19 subsection d. of section 18A:66-110.

20 c. Any public employee veteran member of the pension fund
21 who had been for 20 years in the aggregate in office, position or
22 employment with this state or with a county, municipality, or
23 school district or board of education as of June 26, 1962 shall
24 have the privilege of retiring for ordinary disability and of
25 receiving a retirement allowance equal to one half of the
26 compensation which he received throughout his last year of
27 employment upon which contributions to the pension fund are
28 based, with the optional privileges provided in subsection d. of
29 section 18A:66-110.

30 d. Any public employee veteran member who shall be in office,
31 position or employment with a board of education or a school
32 district and who shall have attained the age of 60 years of age
33 and who has at least 30 years of aggregate service credit in such
34 office, position or employment and who shall present to the board
35 of trustees satisfactory evidence of at least 30 years of
36 aggregate service in such office, position or employment, shall
37 have the privilege of retiring for service and receiving annually
38 from the fund, for and during the remainder of his life, by way of
39 pension, one-fiftieth of the highest year's compensation during
40 employment, upon which compensation he made contributions to
41 the pension fund, multiplied by the number of years of service
42 with the optional privileges provided in subsection d. of
43 N.J.S.18A:66-110.

44 (cf: N.J.S.18A:66-114)

45 9. N.J.S.18A:66-116 is amended to read as follows:

46 18A:66-116. [All pensions created under this article shall be
47 exempt from execution, attachment or any other legal process.]
48 The right of a person to a pension, an annuity, or a retirement
49 allowance, to the return of contributions, any benefit or right
50 accrued or accruing to a person under the provisions of this
51 article, and the moneys in the various funds created under this
52 article, shall be exempt from¹[any State or municipal tax and
53 from]¹ levy and sale, garnishment, attachment or any other
54 process arising out of any State¹[or federal]¹ court and, except as

1 otherwise provided, shall be unassignable.

2 Nothing in this section shall prohibit any person insured under a
3 group insurance policy, pursuant to an arrangement among the
4 insured, the group policyholder and the insurer, from making to
5 any person other than his employer, a gift assignment of the
6 rights and benefits conferred on him by any provision of such
7 policy or by law including specifically, but not by way of
8 limitation, the right to exercise the conversion privilege and the
9 right to name a beneficiary. Any such assignment, whether made
10 before or after the effective date of this act (P.L. , c.) (now
11 pending before the Legislature as this bill), shall entitle the
12 insurer to deal with the assignee as the owner of all rights and
13 benefits conferred on the insured under the policy in accordance
14 with the terms of the assignment.

15 (cf: N.J.S.18A:66-116)

16 10. Section 4 of P.L.1971, c.278 (C.18A:66-126.4) is amended
17 to read as follows:

18 4. The employer shall [bear] pay one-half the cost of the
19 increase in the retirement allowances payable to retirants who
20 retired from the employ of such employer. Certification of the
21 amounts due shall be made by the board of trustees to each
22 employer. Each employer shall appropriate the amounts so
23 certified in the fiscal year next following its fiscal year in which
24 such certification is made. Such amounts shall be paid by each
25 employer to the retirement system. In making such certifications
26 to employers in the years after 1970 the board of trustees shall
27 take into account payments made by the employer, payments to
28 retirants of such employer and prospective payments to be made
29 to such retirants in the following year.

30 The increase in retirement allowances provided for under this
31 act shall commence provided, that there is appropriated the
32 amount certified by the Director of the Division of Pensions of
33 the State Department of the Treasury to the Director of the
34 State Division of Budget and Accounting as set forth in the
35 Pension Increase Act (P.L.1969, c.169). The increase in
36 retirement allowances shall continue to be paid as long as there
37 shall be appropriated the amounts so certified. In the event that
38 the necessary funds are not so appropriated, the increase in
39 retirement allowances shall cease; no further payments shall be
40 made by other employers; refunds shall be made by the
41 retirement system to all employers of any balances unexpended
42 on their account.

43 (cf: P.L.1971, c.278, s.4)

44 11. Section 6 of P.L.1971, c.278 (C.18A:66-126.6) is amended
45 to read as follows:

46 6. On or before October 1, 1969 and by the same date in each
47 subsequent year, the Director of the Division of Pensions of the
48 State Department of the Treasury shall review the index and
49 determine the percentum of change in the index from the
50 retirement year index, pursuant to the provisions of the Pension
51 Increase Act (P.L.1969, c.169). The percentage of adjustment in
52 the retirement allowances shall be [one-half] ²[100%] 60%² of
53 the percentum of change.

54 The director shall include amounts sufficient to adjust the

1 retirement allowances or pensions payable to all eligible retirants
2 by [one-half] ²[100%] 60%² of the percentum of change in the
3 index as such retirement allowances or pensions may have been
4 originally granted, or increased for certain retirants in
5 accordance with the provisions of the Pension Increase Act
6 (P.L.1969, c.169). The director shall notify the secretary of the
7 retirement system of the percentage of adjustment for the
8 applicable year.

9 The employer and the pension fund shall each pay one-half of
10 the ²[percentum of change in the index] percentage of
11 adjustment², provided however that if the ²[percentum of change
12 in the index] percentage of adjustment² from any one year to the
13 next year is greater than ten percent, the amount paid by the
14 pension fund with respect to that particular period shall be
15 limited to five percent.

16 Adjustments by the pension fund in the retirement allowance
17 shall only apply after the effective date of this act (P.L. , c.)
18 (now pending before the Legislature as this bill) and there shall be
19 no retroactive payments for adjustments.

20 In no instance shall the amount of the retirement allowance
21 originally granted and payable to any retirant be reduced as a
22 result of this adjustment.

23 For purposes of this section, a "retirant" shall include all
24 retirants except those whose retirement allowances commenced
25 within the 2 calendar years prior to the first of the month in
26 which the adjustment is to become effective in any year.
27 (cf: P.L.1983, c.216, s.9)

28 12. N.J.S.18A:66-112 is repealed.

29 13. This act shall take effect immediately ³and shall be
30 retroactive to January 1, 1995³.

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35 Revises pension benefits for members of certain school district
36 employees' pension funds.

1 retirement allowances or pensions payable to all eligible retirants
2 by [one-half] 100% of the percentum of change in the index as
3 such retirement allowances or pensions may have been originally
4 granted, or increased for certain retirants in accordance with the
5 provisions of the Pension Increase Act (P.L.1969, c.169). The
6 director shall notify the secretary of the retirement system of
7 the percentage of adjustment for the applicable year.

8 The employer and the pension fund shall each pay one-half of
9 the percentum of change in the index, provided however that if
10 the percentum of change in the index from any one year to the
11 next year is greater than ten percent, the amount paid by the
12 pension fund with respect to that particular period shall be
13 limited to five percent.

14 Adjustments by the pension fund in the retirement allowance
15 shall only apply after the effective date of this act (P.L. , c.)
16 (now pending before the Legislature as this bill) and there shall be
17 no retroactive payments for adjustments.

18 In no instance shall the amount of the retirement allowance
19 originally granted and payable to any retirant be reduced as a
20 result of this adjustment.

21 For purposes of this section, a "retirant" shall include all
22 retirants except those whose retirement allowances commenced
23 within the 2 calendar years prior to the first of the month in
24 which the adjustment is to become effective in any year.
25 (cf: P.L.1983, c.216, s.9)

26 12. N.J.S.18A:66-112 is repealed.

27 13. This act shall take effect immediately.

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STATEMENT

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32 This bill revises the law which established pension funds for
33 school district employees in first-class counties. It:

34 (a) includes persons who served in the Vietnam conflict in the
35 definition of veteran;

36 (b) allows members to purchase credit for prior military
37 service;

38 (c) increases the rate of interest on a member's contributions
39 from 2% to 4%;

40 (d) allows a member who retires because of disability to repay
41 a loan from the retirement system by deductions from his pension;

42 (e) changes the formula upon which pensions for service
43 retirements are calculated from one-sixtieth of the average
44 annual compensation received in the last three years preceding
45 retirement to one-fiftieth of the average annual compensation
46 received during any three years of creditable service providing
47 the largest possible benefit, multiplied by the number of years of
48 service;

49 (f) provides for a disability retirement based upon a
50 "traumatic event" rather than an accident;

51 (g) changes the formula for deferred retirement from
52 one-sixtieth of the average annual compensation received in the
53 last three years preceding retirement to one-fiftieth of the
54 average annual compensation received during any three years of

1 creditable service providing the largest possible benefit,
2 multiplied by the number of years of service;

3 (h) changes the formula for early retirement from one-sixtieth
4 of the average annual compensation received in the last three
5 years preceding retirement to one-fiftieth of the average annual
6 compensation received during any three years of creditable
7 service providing the largest possible benefit, multiplied by the
8 number of years of service;

9 (i) allows veteran members who are 60 years of age with 30
10 years of service to retire on a formula based on the highest
11 annual compensation received in any year;

12 (j) provides that a retirant's pension shall be exempt from
13 State or municipal taxes;

14 (k) provides that retirants shall receive a 100% cost of living
15 adjustment, 50% of which shall be paid by the employer and 50%
16 by the pension fund; and

17 (l) repeals a provision of the law requiring mandatory
18 retirement at age 70.

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23 Revises pension benefits for members of certain school district
24 employees' pension funds.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 1408

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 23, 1995

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1408 [1R], with committee amendments.

Assembly Bill No. 1408 [1R], as amended, of 1994 revises the law which established pension funds for school district employees in first-class counties. This legislation:

(1) includes persons who served in the Vietnam conflict in the definition of veteran; (2) allows members to purchase credit for prior military service; (3) increases the rate of interest on a member's contributions from 2% to 4%; (4) allows members who retire because of disability to repay a loan from the retirement system by deductions from their pensions; (5) changes the formula upon which pensions for service retirements are calculated; (6) provides for a disability retirement based upon a "traumatic event" rather than an accident; (7) changes the formula for deferred retirement; (8) changes the formula for early retirement; (9) allows veteran members who are 60 years of age with 30 years of service to retire on a formula based on the highest year's compensation, (as is available in PERS and TPAF with 35 years of service credit); (10) provides that a retirant's pension be exempt from State court garnishment or attachment; (11) provides that retirants shall receive 100% of the cost of living adjustment, of which 50% shall be paid by the employer and 50% by the pension fund (the Pension Adjustment Act provides for a 60% cost of living adjustment); and (12) repeals a provision of the law requiring mandatory retirement at age 70.

As amended by the committee, this bill is identical to S1203 [1R].

FISCAL IMPACT:

In the legislative fiscal estimate, the Office of Legislative Services (OLS) notes that the only pension system affected by this legislation is the Board of Education Employees' Pension Fund of Essex County. This pension system is closed to new members and all new employees are enrolled in the Public Employees' Retirement System (PERS). The OLS notes that this bill makes so many changes to the retirement system that it would require a new actuarial valuation to accurately estimate the costs of the additional benefits provided by this legislation. The OLS has calculated estimated costs for the following. Changes to the retirement formulas would increase the retirement system liability approximately \$16 million; the COLA provision would cost the employer \$997,000 and the system the same amount for about 10 years, in which case, the system's excess accumulated assets would be expended and then the employer costs would be \$1.9 million annually.

The OLS notes that there is no information available on the other provisions of this legislation.

Finally, the OLS notes that this bill will provide benefits to school board employees enrolled in the Board of Education Employees' Pension Fund of Essex County that are not provided to the school board employees enrolled in the State-administered PERS. The OLS notes that the funding changes are not part of the proposed legislation and were adopted by the trustees of the retirement system. In addition, the OLS notes that a change to full-market value is a more aggressive funding methodology than the previous method which recognized dividend and interest income and 20% of the accumulated capital appreciation. If the value of the assets were to decline, the employer contributions to fund the retirement system would increase.

COMMITTEE AMENDMENTS:

These committee amendments reduce the cost of living adjustment from 100% to 60% of the change in the Consumer Price Index.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1408

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 2, 1994

The Assembly State Government Committee reports favorably and with committee amendments Assembly, No. 1408.

This bill revises the law which authorizes the establishment of pension funds for school district employees in first-class counties. The bill provides that:

(1) Members of the pension fund who served in the Vietnam conflict are to be included among the list of those whose wartime service with the Armed Forces of the United States entitles them to veteran status under the law (section 1);

(2) Any member who qualifies as a veteran under the law is to be allowed, during the two-year period following enactment of the legislation, to purchase credit for up to five years of military service in the U.S. Armed Forces (section 2);

(3) For purposes of the return of a member's contributions upon the death or withdrawal of the member, the rate of interest payable on those contributions is to be increased from 2% to 4% (sections 3 and 6);

(4) A member with an outstanding loan from the retirement system who retires because of disability is to be allowed to repay the balance by deductions from the member's pension not exceeding 20% of each periodic benefit payment (section 4). At present, up to 100% of each such periodic payment may be withheld until the loan is fully repaid;

(5) The value, for the purpose of calculating most pensions under the pension fund, of each year of service credited in the fund is changed from one-sixtieth of the average annual compensation received in the last three years preceding retirement to one-fiftieth of the average annual compensation received during any three years of creditable service providing the largest possible benefit. This change is to be applicable to pensions payable upon retirement for service, age or ordinary disability (section 5), deferred retirement (section 6), and early retirement (section 7);

(6) The accidental disability benefit, now payable in the event of incapacitation "as a result of personal injuries sustained in an accident" during the performance of duties, is to be allowed only if the incapacitation is "a direct result of a traumatic event" (section 5);

(7) A new category of veteran's retirement, payable to veteran members who are 60 years of age with 30 years of service, is to be established to provide a benefit equal to one-fiftieth of the highest annual compensation during employment multiplied by the number of years of service (section 8). The existing veteran's retirement allowance, payable after 20 years of service and providing a benefit

of one-half of the member's compensation during the final year of employment, would continue to be available;

(8) A retirant's pension is to be exempt from any process arising out of a State court (section 9);

(9) The amount of the cost-of-living adjustment to pension fund retirement allowances, presently 50% of the percentum of change in the Consumer Price Index and entirely paid by the employer, is to be increased to 100% of the percentum of change, with the full cost of the increase to be borne by the pension fund (section 11); and

(10) The law's provision requiring mandatory retirement at age 70 is repealed (section 12).

COMMITTEE AMENDMENTS

The committee adopted amendments to this legislation to remove provisions exempting any pension payment, return of contributions, or other benefit from State or municipal tax, or from garnishment, attachment or other process arising out of a federal court.

LEGISLATIVE FISCAL ESTIMATE TO

[FIRST REPRINT]

ASSEMBLY, No. 1408

STATE OF NEW JERSEY

DATED: December 7, 1994

Assembly Bill No. 1408 (1R) of 1994 revises the law which established pension funds for school district employees in first-class counties. It:

(1) includes persons who served in the Vietnam conflict in the definition of veteran;

(2) allows members to purchase credit for prior military service;

(3) increases the rate of interest on a member's contributions from 2% to 4%;

(4) allows members who retire because of disability to repay a loan from the retirement system by deductions from their pensions;

(5) changes the formula upon which pensions for service retirements are calculated from one-sixtieth of the average annual compensation received in the last three years preceding retirement (the formula used in the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) is one-sixtieth) to one-fiftieth of the average annual compensation received during the highest three years of creditable service, multiplied by the number of years of service;

(6) provides for a disability retirement based upon a "traumatic event" rather than an accident;

(7) changes the formula for deferred retirement from one-sixtieth of the average annual compensation received in the last three years preceding retirement to one-fiftieth of the average annual compensation received during the highest three years of creditable service, multiplied by the number of years of service;

(8) changes the formula for early retirement from one-sixtieth of the average annual compensation received in the last three years preceding retirement to one-fiftieth of the average annual compensation received during the highest three years of creditable service, multiplied by the number of years of service;

(9) allows veteran members who are 60 years of age with 30 years of service to retire on a formula based on the highest year's compensation, (this benefit is available to members of PERS and TPAF with 35 years of service credit);

(10) provides that a retirant's pension shall be exempt from State court garnishment or attachment;

(11) provides that retirants shall receive a 100% cost of living adjustment, 50% of which shall be paid by the employer and 50% paid by the pension fund (the Pension Adjustment Act provides for a 60% cost of living adjustment for members of PERS, TPAF, the Police and Firemen's Retirement System (PFRS) and the State Police Retirement System (SPRS)); and

(12) repeals a provision of the law requiring mandatory retirement at age 70.

The Office of Legislative Services (OLS) notes that the only pension system affected by this legislation is the Board of Education Employees' Pension Fund of Essex County. This pension system is closed to new members and all new employees are enrolled in the Public Employees' Retirement System (PERS). The OLS notes that this bill makes so many changes to the retirement system that it would require a new actuarial valuation to accurately estimate the costs of the additional benefits provided by this legislation. The OLS has calculated estimated costs for the following changes:

(1) includes persons who served in the Vietnam conflict in the definition of veteran: Neither the OLS nor the actuary for the retirement system has information on the number of active members who would qualify for veteran status under this legislation. The OLS notes that a veteran qualifies for one-half of final year's salary versus the service retirement formula of one-sixtieth of final average salary multiplied by the number of years of service. The OLS notes that in the State-administered Public Employees' Retirement System (PERS), a veteran retirement costs the employer approximately 3.1% more than a non-veteran retirement, or about \$2,750.

(2) allows members to purchase credit for prior military service: No information is available on the number of veterans or amount of prior military service they might wish to purchase. The OLS notes, however, that this provision would affect the retirement system because of the elective nature of the benefit, i.e., the purchase price is calculated on the average cost of a year of service in the retirement system even though the individuals purchasing military service credit would be purchasing only enough service to qualify for a particular benefit.

(3) increases the rate of interest on a member's contributions from 2% to 4%: There is no information available to estimate the additional cost of providing this benefit. The OLS believes that this cost would be extremely small because of the low termination and mortality rates experienced by this retirement system.

(4) allows members who retire because of disability to repay a loan from the retirement system by deductions from their pensions. As long as the repayment includes the balance of the loan and interest at the retirement system's assumed rate of return, there would be no additional cost to the employer.

(5, 7 & 8) changes the formula for the various types of retirement from one-sixtieth of the average annual compensation received in the last three years preceding retirement to one-fiftieth of the average annual compensation received during the highest three years of creditable service, multiplied by the number of years of service: The OLS notes that changing the retirement benefit formula from one-sixtieth to one-fiftieth is a 20% increase in retirement benefits. The present value of benefits (future liabilities) for active employees is \$81,813,302. A 20% increase in the benefits of active members is a \$16,362,660 increase in the liabilities of the retirement system.

Under current law the retirement system is considered fully funded. Under the "full-market value" methodology of valuing assets recently adopted by the pension fund's Board of Trustees (and the current benefit formula of 1/60th) the retirement system has accumulated \$27.3 million in assets in excess of its pension liabilities. The increase in liabilities, from changing the formula from 1/60th to 1/50th, will result in a decrease in the excess accumulated assets of the retirement system of \$16.4 million, from \$27.3 million to \$10.9 million. The OLS notes that the system will still be considered fully funded and no additional employer or employee contributions will be required.

The OLS notes that the change from final average salary to the highest three years average salary would result in a small increase in the retirement system's liabilities but the OLS is unable to calculate the additional cost of this benefit.

(9) allows veteran members who are 60 years of age with 30 years of service to retire on a formula based on the highest year's compensation: The OLS notes that under current law a veteran retirement is calculated based on the final year salary. Since the final year is usually also the highest year, the OLS does not believe this change would have a significant impact.

(11) provides that retirant's shall receive a 100% cost of living adjustment (COLA), 50% of which shall be paid by the employer and 50% paid by the pension fund: The OLS notes that unlike the State-administered retirement systems, the Board of Education Employees' Pension Fund of Essex County does not include the cost of future COLAs as a liability of the retirement system. Instead, COLAs are funded on a pay-as-you-go basis through employer contributions. The OLS notes that this bill would make 50% of the liability for COLAs a liability of the retirement system. The OLS notes that because the employee contribution is fixed any increase in the liabilities of the retirement system will result in higher employer contributions.

Under current law for this pension system, the COLA is 50% of the percentage change in the index established in the provisions of the Pension Increase Act. The COLA is funded on a pay-as-you-go basis and costs the employers \$831,111 in 1994. Changing the COLA to 100% (without changing the pension formula from 1/60th to 1/50th) would cost an additional \$831,111. Changing the pension formula from 1/60th to 1/50th, or by 20%, would result in a similar increase in the cost of funding the COLAs. The OLS estimates the cost of funding COLAs for FY 1994 would total \$1,994,666, or \$1,163,555 more than under current law. It should be noted that this would be a recurring cost, increasing as the number of retirees and their retirement allowances increase.

According to the provisions of this bill, 50% or \$997,333 would be funded by the employer on a pay-as-you-go basis and the remaining \$997,333 would be funded by the retirement system. This would further decrease the excess accumulated assets of the retirement system by \$997,333 in FY 1994, from the estimated \$10,872,656 to \$9,875,323. Assuming no other actuarial gains or losses, this accumulated excess would be expended in 9.9 years, after which the employer contributions to fund the COLA would increase from \$997,333 to \$1,994,666.

Finally, the OLS notes that this bill will provide benefits to school board employees enrolled in the Board of Education Employees' Pension Fund of Essex County that are not provided to the school board employees enrolled in the State-administered PERS.

The OLS notes that the funding changes are not part of the proposed legislation and were adopted by the trustees of the retirement system. In addition, the OLS notes that a change to full-market value is a more aggressive funding methodology than the previous method which recognized dividend and interest income and 20% of the accumulated capital appreciation. If the value of the assets were to decline, the employer contributions to fund the retirement system would increase.

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.