

43:10-18.50

**LEGISLATIVE HISTORY CHECKLIST**  
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(County & municipal pension  
systems--refunding bonds)

**NJSA:** 43:10-18.50

**LAWS OF:** 1994 **CHAPTER:** 185

**BILL NO:** S764

**SPONSOR(S):** Catania and Mattison

**DATE INTRODUCED:** Pre-filed

**COMMITTEE:** **ASSEMBLY:** Appropriations  
**SENATE:** State Government

**AMENDED DURING PASSAGE:** No Assembly Committee  
Substitute enacted

**DATE OF PASSAGE:** **ASSEMBLY:** August 29, 1994  
**SENATE:** December 15, 1994

**DATE OF APPROVAL:** December 27, 1994

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes  
**SENATE:** Yes

**FISCAL NOTE:** No

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** No

**HEARINGS:** No

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ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 764

STATE OF NEW JERSEY

ADOPTED AUGUST 15, 1994

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Sponsored by Assemblymen CATANIA and MATTISON

1 AN ACT concerning the refunding of certain county and  
2 municipal pension systems and amending P.L.1985, c.67 and  
3 P.L.1985, c.68.

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

7 1. Section 1 of P.L.1985, c.67 (C.40A:2-51.1) is amended to  
8 read as follows:

9 1. Notwithstanding the provisions of N.J.S.40A:2-51 to the  
10 contrary, a county or a municipality in which a pension fund has  
11 been established pursuant to P.L.1943, c.160 (C.43:10-18.1 et  
12 seq.), R.S.43:10-1 through R.S.43:10-18, P.L.1948, c.310  
13 (C.43:10-18.50 et seq.), or P.L.1954, c.218 (C.43:13-22.3 et seq.),  
14 may incur indebtedness, borrow money, authorize and issue  
15 negotiable refunding bonds, and in any amount determined to be  
16 necessary by the county or the municipality and approved by the  
17 Local Finance Board to effect the refunding for the purpose of  
18 the actuarial liabilities of its pension system, in addition to the  
19 other purposes for which it may do the same under  
20 N.J.S.40A:2-51.

21 (cf: P.L.1985, c.67, s.1)

22 2. Section 1 of P.L.1985, c.68 (C.40A:11-15.1) is amended to  
23 read as follows:

24 1. Notwithstanding the provisions of subsection (6) of section  
25 15 of P.L.1971, c.198 (C.40A:11-15) to the contrary, a county or  
26 a municipality in which a pension fund has been established  
27 pursuant to P.L.1943, c.160 (C. 43:10-18.1 et seq.), R.S.43:10-1  
28 through R.S.43:10-18, P.L.1948, c.310 (C.43:10-18.50 et seq.), or  
29 P.L.1954, c.218 (C.43:13-22.3 et seq.), may enter into an  
30 insurance contract to fund the actuarial liability of its pension  
31 system, for a term which may not exceed the term of the  
32 actuarial liability covered by the contract.

33 (cf: P.L.1985, c.68, s.1)

34 3. This act shall take effect immediately.

35

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38

39 Permits refunding bonds for certain county and municipal pension  
40 systems.

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.

ASSEMBLY, No. 764  
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1994 SESSION

By Assemblymen CATANIA and MATTISON

1 AN ACT concerning the employee pension fund of certain  
2 counties and amending P.L.1948, c.310, P.L.1966, c.210 and  
3 P.L.1975, c.230.

4

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

7 1. Section 1 of P.L.1948, c.310 (C.43:10-18.50) is amended to  
8 read as follows:

9 1. As used in this act:

10 "Service" shall always, unless otherwise stated, be considered  
11 as continuous or in the aggregate.

12 "Salary" or "compensation" when used solely for the purpose of  
13 fixing benefits under this act means [the average annual salary or  
14 compensation earned by a member during his or her 3 years of  
15 service,] the average of the three highest years of salary or  
16 compensation earned by a member during his or her entire length  
17 of service or the average annual salary or compensation earned  
18 by a member during his or her entire length of service if such  
19 service totaled less than 3 years [as a county employee  
20 immediately preceding death or retirement]; provided however,  
21 that no benefit paid to a surviving spouse shall exceed 25% of the  
22 final compensation of said member, but in no instance shall be  
23 less than \$2,500.00; provided, however, that as to any employee  
24 who, at the time of the adoption of this act, is a member of any  
25 retirement system in operation in the county under and by virtue  
26 of articles 1, 2, 5, 6 and 9 of chapter 10 and chapter 9 of Title 43  
27 of the Revised Statutes and of R.S. 40:37-157 to 40:37-174,  
28 inclusive, and of "An act providing for the retirement of persons  
29 employed in the department of weights and measures of any  
30 county in this State, and providing a pension for such persons so  
31 retired," filed June 21, 1938 (P.L.1938, c. 397), the total annual  
32 salary received by such employee during the year immediately  
33 prior to his death or retirement shall be considered for pension or  
34 other purposes under this act.

35 "Pension fund" or "fund" means the fund referred to in section  
36 16 of this act, and is the fund from which pensions provided for in  
37 this act shall be paid.

38 "State" shall, unless otherwise stated, mean the State of New  
39 Jersey.

40 "His" shall be construed to mean both sexes.

41 "County employee" or "employee" means and includes all  
42 employees and officers in service in any county of this State

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

Matter underlined thus is new matter.

1 having a population of from 300,000 to 325,000 inhabitants and  
2 shall mean and include all employees and officers of any county  
3 board, body or commission, maintained out of county funds in any  
4 such county, and shall also mean and include employees and  
5 officers appointed by such county to employment on intercounty  
6 bridges, but the term "county employee" or "employee" does not  
7 include office holders elected by the voters of the county, or  
8 their appointed assistants or deputies, or members of the  
9 judiciary, or any laborers, unless the labor work is paid on an  
10 hourly, daily, monthly, or annual salary basis for a continuous  
11 employment thereof and recognized as permanent appointees, it  
12 being the intent to exclude transient labor from the operation of  
13 this act. The pension commission shall determine whether or not  
14 the employment of an employee is permanent within the meaning  
15 of this act. Notwithstanding the provisions of any other statute  
16 of this State, any person hereafter accepting any employment in  
17 the county under the age of 40 years shall be eligible to join as a  
18 "county employee" or "employee" as hereinabove defined, and  
19 except as herein otherwise provided, any such person of the age  
20 of 40 years or over shall be ineligible to join; provided, however,  
21 that any employee who, at the time of the adoption of this act, is  
22 a member of any retirement system in operation in such county  
23 under and by virtue of articles 1, 2, 5, 6 and 9 of chapter 10 and  
24 chapter 9 of Title 43 of the Revised Statutes, and of R.S.  
25 40:37-157 to 40:37-174, inclusive, and of "An act providing for  
26 the retirement of persons employed in the department of weights  
27 and measures of any county in this State, and providing a pension  
28 for such persons so retired," filed June 21, 1938 (P.L.1938, c. 397).

29 "Population" of a county shall mean the population of a county  
30 according to the Federal census of 1940.

31 "Widow" or "widower" means the surviving spouse of a county  
32 employee who married such employee prior to the retirement of  
33 such employee [and prior to the time when such employee  
34 reached the age of 50 years. No such surviving spouse shall be  
35 eligible for any benefit hereunder who was or shall be more than  
36 15 years younger than the employee at the time of their  
37 marriage, if such marriage occurs hereafter while the employee  
38 is a member of this retirement system] or the surviving spouse of  
39 a retiree who was married to the retiree for at least five years  
40 prior to the death of such retiree.

41 "Minor child" means a child under the age of 18 years born in  
42 lawful wedlock[,] and shall include children adopted[, and shall  
43 not include children born of marriages occurring outside the age  
44 limits prescribed under this act].

45 "Permanent and total disability" means physical or mental  
46 incapacity of an employee any longer to perform the duties of his  
47 position or office.

48 "Employees' retirement system of (name of county)," shall be  
49 the name of the retirement system provided under the provisions  
50 of this act. By that name all of its business shall be transacted,  
51 its funds invested, warrants for money drawn and payments made  
52 and all of its cash and securities and other property held.

53 (cf: P.L.1975, c.230, s.1)

54 2. Section 9 of P.L.1948, c.310 (C.43:10-18.58) is amended to  
55 read as follows:

1 9. Subject to the other provisions of this act, any county  
2 employee who shall have served or who shall hereafter have  
3 served in the employ of such county continuously or in the  
4 aggregate for a period of twenty years, and who shall have  
5 attained the age of fifty-five years, or who shall regardless of  
6 age have served in the employ of such county continuously or in  
7 the aggregate for a period of [thirty-five] thirty years, shall,  
8 upon his application, be retired on half pay. Upon and after the  
9 death of such employee or pensioner, [said] a retirement pension,  
10 pursuant to the definition of salary in section 1 of P.L.1948, c.310  
11 as amended, shall be paid to the surviving widow, so long as she  
12 remains unmarried, surviving widower, so long as he remains  
13 unmarried, or minor children up to eighteen years of age, as the  
14 case may be.

15 (cf: P.L.1948, c.310, s.9)

16 3. Section 9 of P.L.1966, c.210 (C.43:10-18.58a.) is amended to  
17 read as follows:

18 9. (a) [Should a member resign after having completed 30  
19 years of service for which credit has been established in the  
20 pension fund, before reaching age 55, he may elect to receive, in  
21 lieu of the payment provided in section 9 of the act to which this  
22 act is amendatory and supplementary, or the benefit provided by  
23 subsection (b) of this section, a pension in the amount of 1/2 of  
24 the salary he is receiving at the time of his retirement; provided,  
25 however, that such pension shall be reduced in accordance with a  
26 table of actuarial equivalents recommended by the actuary and  
27 adopted by the commission reflecting all months that the member  
28 lacks of being age 55.

29 Upon and after the death of any employee or pensioner  
30 receiving a retirement pension under this subsection 9(a), the  
31 retirement pension being paid to said deceased employee or  
32 pensioner shall be paid to the surviving widow, so long as she  
33 remains unmarried, surviving widower, so long as he remains  
34 unmarried, or minor children up to 18 years of age, as the case  
35 may be, subject, however, to any other limitations of the act to  
36 which this act is amendatory and supplementary.] (Deleted by  
37 amendment, P.L. , c. )

38 (b) Should a member, after having completed 20 years of  
39 service for which credit has been established in the pension fund,  
40 be separated voluntarily or involuntarily from the service, before  
41 reaching age 55, he may elect to receive the payments provided  
42 for in section 9 of the act to which this act is amendatory and  
43 supplementary, or the benefit provided by subsection (a) of this  
44 section, or a deferred pension beginning at age 55, in the amount  
45 based on his years of service credited in the fund bear to the  
46 total number of years of service that he could have achieved had  
47 he continued to age 55 and qualified for the pension of 1/2 of  
48 the salary he was receiving at the time he elected the deferred  
49 pension.

50 Upon and after the death of any employee or pensioner  
51 receiving a retirement pension under this subsection 9(b), the  
52 retirement pension being paid to said deceased employee or  
53 pensioner shall be paid to the surviving widow, so long as she  
54 remains unmarried, surviving widower, so long as he remains

1 unmarried, or minor children up to 18 years of age, as the case  
2 may be, subject, however, to any other limitations of the act to  
3 which this act is amendatory and supplementary.

4 (cf: P.L.1966, c.210, s.9)

5 4. Section 5 of P.L.1975, c.230 (C.43:10-18.58c.) is amended to  
6 read as follows:

7 5. Any employee retiring after the effective date of this  
8 amendatory act who has 25 years of service and [who] has  
9 attained 55 years of age or who regardless of age has 30 years of  
10 service, shall be entitled, in addition to a pension at 50% of final  
11 salary, to an added 1% of his average salary for each year in  
12 excess of 25 years of service rendered prior to his [reaching age  
13 70] retirement.

14 (cf: P.L.1978, c.127, s.9)

15 5. Section 15 of P.L.1948, c.310 (C.43:10-18.64) is amended to  
16 read as follows:

17 15. The following provisions shall apply to all members of the  
18 retirement system:

19 (a) (Deleted by amendment; P.L.1978, c. 127.)

20 (b) Where a husband and wife are each receiving a pension as a  
21 retired employee from any retirement system supported wholly or  
22 in part by the county, upon the death of either the husband or the  
23 wife, if the survivor is entitled to receive another pension on  
24 account of such death, said survivor shall elect to accept one or  
25 the other of the two pensions but in no case shall a beneficiary  
26 receive more than one pension at the same time.

27 (c) Where any employee or other beneficiary is entitled to  
28 receive two pensions under the provisions of this act, such  
29 employees or other beneficiary shall elect to receive one or the  
30 other of the two pensions and in no case shall receive more than  
31 one pension.

32 (d) The rights of any employee or beneficiary to receive any  
33 payments under the Workmen's Compensation Act of New Jersey  
34 shall not be affected or impaired by any of the provisions of this  
35 act.

36 (e) Where the service of an employee is terminated by reason  
37 of imposition of a sentence upon him of actual commitment to a  
38 penal institution on account of conviction of an indictable offense  
39 involving moral turpitude, no pension under this act shall be paid  
40 to any such employee; provided, however, that no member of this  
41 retirement system who shall have served honorably as a county  
42 employee for a period of 20 years and shall have attained the age  
43 of 55 years shall be deprived of his pension privileges because of  
44 any violation of the rules and regulations established for the  
45 government of such county employment, but he may be fined,  
46 reprimanded or discharged.

47 (f) Where any pension or other benefit shall be payable from  
48 the pension fund herein provided to any retired employee or other  
49 beneficiary who is or shall be confined in a penal institution as  
50 the result of a conviction of a crime involving moral turpitude,  
51 the pension commission may pay such pension or any part of it or  
52 other benefit to the wife, husband, minor children, mother or  
53 father of the confined person if it determines the same is  
54 necessary for their maintenance during such confinement.

1 (g) All payments of pensions shall be made semimonthly.  
2 Payments of pensions, refunds or other benefits under this act  
3 shall be made without interest.

4 (h) [Upon and after the adoption of this act the benefits  
5 hereunder shall not extend to the widow or widower of any county  
6 employee who shall remarry, or shall have married such employee  
7 after such employee has retired or attained the age of 50 years,  
8 nor to any children of such marriage, but benefits shall extend to  
9 the widow or widower of a county employee who marries or shall  
10 have married the employee after the employee has attained the  
11 age of 50 years, provided the employee remains in the  
12 employment of the county and an active member of the fund for  
13 at least 5 years after such marriage.] (Deleted by amendment;  
14 P.L.19 , c. .)

15 (i) Persons who may become entitled to pensions under this act  
16 shall be paid on the first and fifteenth day of each month, or at  
17 the same time as all persons permanently employed by the county.  
18 (cf: P.L.1981, c.34, s.1)

19 6. This act shall take effect immediately.

20

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#### 22 STATEMENT

23

24 This bill changes some terms of an employees' pension fund in  
25 counties with a population of 300,000 to 325,000 according to the  
26 1940 federal census. The bill changes the definitions of "salary,"  
27 "widow" or "widower," and "minor child." Under the bill, salary,  
28 when used for establishing benefits, means the average of the  
29 three highest years of salary instead of the average annual salary  
30 during the last three years of service, as now provided. The  
31 definition of widow or widower no longer excludes a surviving  
32 spouse who married the county employee when such employee  
33 was 50 years of age or older, or who was more than 15 years  
34 younger than the employee, if such a marriage occurred while the  
35 employee was a member of this retirement system. Similarly,  
36 the minor children of such marriages are no longer excluded from  
37 benefits. Now included in the definition of widow or widower is  
38 the surviving spouse of a retiree who was married to the retiree  
39 for at least five years prior to the retiree's death.

40 The bill provides that any employee, regardless of age, in the  
41 pension fund with 30 years of service, as opposed to the 35 years  
42 of service currently required, may retire on half pay.

43 Under present law, any employee retiring with 25 years of  
44 service who has attained 55 years of age is entitled to, in addition  
45 to a pension at 50% of final salary, an added 1% of average salary  
46 for each year in excess of 25 years of service rendered prior to  
47 age 70. This bill removes the limit of age 70 and also provides  
48 that any employee with 30 years of service, regardless of age, is  
49 entitled to that additional benefit for service beyond 25 years  
50 prior to retirement.

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55 Changes terms of certain county employee pensions.

ASSEMBLY APPROPRIATIONS COMMITTEE  
STATEMENT TO  
THE ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 764

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STATE OF NEW JERSEY

DATED: AUGUST 15, 1994

The Assembly Appropriations Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 764.

The purpose of this committee substitute is to permit certain county and municipal governments to issue refunding bonds to fund the actuarial liabilities of certain locally administered public employee pension systems. The committee substitute would also amend section 1 of P.L.1985, c.68 (C.40A:11-15.1) to authorize these county and municipal governing bodies to execute long-term insurance contracts to cover the actuarial liability of these pension systems.

In 1985 Essex County was authorized by law on a pilot basis to issue pension refunding bonds. The Essex County pension system is a closed system in that it does not admit any new members. It was determined that the issuance of refunding bonds would yield important fiscal benefits for Essex County and would enhance the fiscal security of the pension system for its members. That experience has proved beneficial and fiscally sound. This committee substitute would extend refunding bond authorization to the similarly situated Hudson County pension system, Passaic County pension system and the Newark City Employees' Retirement System, which are all closed pension systems.

Any refunding proposals permitted under this committee substitute would be subject to the review and approval of the Local Finance Board in the Department of Community Affairs and would have the following important beneficial public purposes: 1) enhancement of the fiscal integrity and stability of these closed pension systems; 2) elimination of the disproportionate reliance on government expenditures out of current annual appropriations to fund pension obligations; and 3) attainment of fiscal savings to the funding of the pension systems through the purchase of long-term annuities to satisfy the pension systems' obligations.

FISCAL IMPACT:

There would be no State fiscal impact under the provision's of this legislation. On the local level, this legislation should provide fiscal benefits and enhance the fiscal security of a smaller, closed pension system for its members.



SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 764

STATE OF NEW JERSEY

DATED: DECEMBER 8, 1994

The Senate State Government Committee reports favorably the Assembly Committee Substitute for Assembly, No. 764.

The purpose of the Assembly committee substitute is to permit certain county and municipal governments to issue refunding bonds to fund the actuarial liabilities of certain locally administered public employee pension systems. The committee substitute would also amend section 1 of P.L.1985, c.68 (C.40A:11-15.1) to authorize these county and municipal governing bodies to execute long-term insurance contracts to cover the actuarial liability of these pension systems.

In 1985 Essex County was authorized by law on a pilot basis to issue pension refunding bonds. The Essex County pension system is a closed system in that it does not admit any new members. It was determined that the issuance of refunding bonds would yield important fiscal benefits for Essex County and would enhance the fiscal security of the pension system for its members. That experience has proved beneficial and fiscally sound. This committee substitute would extend refunding bond authorization to the similarly situated Hudson County pension system, Passaic County pension system and the Newark City Employees' Retirement System, which are all closed pension systems.

Any refunding proposals permitted under this committee substitute would be subject to the review and approval of the Local Finance Board in the Department of Community Affairs and would have the following important beneficial public purposes: 1) enhancement of the fiscal integrity and stability of these closed pension systems; 2) elimination of the disproportionate reliance on government expenditures out of current annual appropriations to fund pension obligations; and 3) attainment of fiscal savings to the funding of the pension systems through the purchase of long-term annuities to satisfy the pension systems' obligations.