

LEGISLATIVE HISTORY CHECKLIST
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(Local government retirees--
 health benefits)

NJSA: 40A:10-23.3

LAWS OF: 1994 **CHAPTER:** 34

BILL NO: A1059

SPONSOR(S): Crecco

DATE INTRODUCED: January 18, 1994

COMMITTEE: **ASSEMBLY:** State Government
SENATE: Community Affairs

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** February 17, 1994 Re-enacted 5-16-94
SENATE: March 31, 1994 Re-enacted 5-16-94

DATE OF APPROVAL: May 26, 1994

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

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

FISCAL NOTE: No

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[FIRST REPRINT]
ASSEMBLY, No. 1059

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1994

By Assemblywoman CRECCO, Assemblymen WARSH
and Mikulak

1 AN ACT concerning the payment of health benefit premiums for
2 certain local government retirees.

3

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

6 1. Notwithstanding the provisions of N.J.S.40A:10-23 to the
7 contrary, an employer which pays the premiums for health
8 benefits for retirees pursuant to that section and which has
9 adopted or adopts an early retirement incentive program pursuant
10 to P.L.1993, c.99, P.L.1993, c.138, or P.L.1993, c.181 may, by
11 adoption of a resolution by its governing body and filing a
12 certified copy of the resolution with the Director of the Division
13 of Pensions and Benefits or by inclusion of appropriate language
14 in its resolution adopting the early retirement incentive program,
15 elect to pay the premium for a retiree under that program who
16 retires on the basis of 25 years or more of service credit in a
17 State or locally administered retirement system, including any
18 additional service credit provided under the early retirement
19 incentive program, and ¹[at least 15 years] a period¹ of service
20 ¹from 0 to 15 years¹ with the employer at the time of
21 retirement¹, such period to be determined by the employer and
22 included in its resolution¹.

23 2. This act shall take effect immediately.

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28 Enables certain local government retirees to receive paid health
29 benefits.

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 amendments adopted in accordance with Governor's
recommendations May 16, 1994.

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12 certified copy of the resolution with the Director of the Division
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14 in its resolution adopting the early retirement incentive program,
15 elect to pay the premium for a retiree under that program who
16 retires on the basis of 25 years or more of service credit in a
17 State or locally administered retirement system, including any
18 additional service credit provided under the early retirement
19 incentive program, and at least 15 years of service with the
20 employer at the time of retirement.

21 2. This act shall take effect immediately.

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STATEMENT

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26 This bill seeks to expand paid health benefits coverage for
27 certain local government retirees who are not in the State Health
28 Benefits Program (SHBP). Current law provides that an employer
29 not in SHBP may provide paid health benefits coverage to
30 employees with 25 or more years of service with the employer.
31 This bill provides that such an employer which provides paid
32 health benefits to retirees and which has adopted or adopts an
33 early retirement incentive program pursuant to P.L.1993, c.99,
34 P.L.1993, c.138, or P.L.1993, c.181 may elect to pay the premium
35 for a retiree under that program who retires on the basis of 25
36 years or more of service credit in a State or locally administered
37 retirement system, including any additional service credit
38 provided under the early retirement incentive program, and at
39 least 15 years of service with the employer at the time of
40 retirement.

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45 Enables certain local government retirees to receive paid health
46 benefits.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1059

STATE OF NEW JERSEY

DATED: JANUARY 24, 1994

The Assembly State Government Committee reports favorably Assembly, No. 1059.

This bill provides that a local government employer which (1) under N.J.S.A.40:10-23 pays the premiums for health benefits for retirees under a private carrier health insurance program, and (2) has adopted or adopts an early retirement incentive program pursuant to (a) P.L.1993, c.99 (applicable to members of the Police and Firemen's Retirement System (PFRS) employed by non-State employers which participate in the PFRS), (b) P.L.1993, c.138 (applicable to members of the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), and the alternate benefit program (ABP) employed by counties, county colleges, and municipalities), or (c) P.L.1993, c.181 (applicable to PERS members employed by local public agencies and instrumentalities) may elect to pay the health insurance premiums for a retiree under that program who retires on the basis of 25 years or more of service credit in a State or locally administered retirement system, including any additional service credit provided under the early retirement incentive program, and has at least 15 years of service with the employer at the time of retirement. The governing body of the employer is to make this election by adopting a resolution to such effect and filing a certified copy thereof with the Director of the Division of Pensions and Benefits or by including appropriate language in its original resolution adopting the early retirement incentive program.

Under existing provisions of N.J.S.A.40:10-23, the employee of an employer who covers retirants under a private carrier plan must, if younger than age 62, have accumulated 25 years of service with the employer from whose service the employee retires, and not simply 25 years of pension fund credit for service with all employers, in order to qualify for such paid coverage.

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1059

STATE OF NEW JERSEY

DATED: MARCH 21, 1994

The Senate Community Affairs Committee reports favorably Assembly Bill No. 1059.

This bill seeks to expand paid health benefits coverage for certain local government retirees who are not in the State Health Benefits Program.

Currently, N.J.S.A.40A:10-23 provides that an employer may, in its discretion, assume the entire cost of health benefits coverage and pay all premiums under a private carrier health insurance program for employees with 25 or more years of service with that same employer, or for employees who are retired and have reached 62 or older with at least 15 years of service with that same employer.

This bill provides that a local government employer may elect to pay the health insurance premiums under an early retirement incentive program for a retiree who retires on the basis of 25 years or more of service credit in a State or locally administered retirement system, including any additional service credit provided under the early retirement incentive program, and has at least 15 years of service with that employer at the time of retirement, provided that the local government employer: (1) under N.J.S.A.40A:10-23 pays the premiums for health benefits for retirees under a private carrier health insurance program; and (2) has adopted or adopts an early retirement incentive program pursuant to (a) P.L.1993, c.99, applicable to members of the Police and Firemen's Retirement System employed by non-State employers which participate in that system, (b) P.L.1993, c.138, applicable to members of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the alternate benefit program employed by counties, county colleges, and municipalities, or (c) P.L.1993, c.181, applicable to members of the Public Employees' Retirement System employed by local public agencies and instrumentalities. The governing body of the employer is to make this election by adopting a resolution to that effect and filing a certified copy with the Director of the Division of Pensions and Benefits or by including appropriate language in its original resolution adopting the early retirement incentive program.

May 16, 1994

ASSEMBLY BILL NO. 1059

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14, of the New Jersey Constitution, I am returning Assembly Bill No. 1059 with my recommendations for reconsideration.

A. Summary of Bill

Assembly Bill No. 1059 would give certain local government employers that are not enrolled in the State Health Benefits Program discretion to provide expanded health benefits coverage to their retirees. To qualify for the benefits pursuant to the applicable program under this bill, a local government retiree must meet two conditions. First, the retiree must obtain 25 years or more of "service credit" in a State or locally administered retirement system. Second, the retiree must have accumulated at least 15 years of service with the local government employer at the time of retirement.

This bill attempts to improve the existing law by enabling local government employers to choose to consider a retiree's additional years of "service credit" as provided under an early retirement incentive program. Under existing law, a municipality that is in the State Health Benefits Plan (SHBP) may consider a retiree's service credit as accumulated pursuant to an early retirement incentive program when deciding whether to provide that retiree with health benefits coverage. However, a local government employer not enrolled in the SHBP does not presently have this option. See N.J.S.A. 40A:10-23. This bill corrects this inconsistency.

B. Recommended Action

I commend the Legislature and the bill's proponents on their efforts to remedy the above-noted inconsistency and permit local government employers to opt to provide health benefits to certain classes of retirees. I believe, however, that the requirement that

a retiree must have accumulated at least 15 of service with a local government employer at the time of retirement unduly limits a local governmental entity's discretion and should be modified.

I believe that the general policy underlying the years-of-service requirement is sound. That is, the absence of such a requirement could result in an inequitable cost for a participating local government employer that hires a long-time public servant towards the end of the public servant's career. Nevertheless, I also believe that the State must provide such local governments with the discretion to determine for themselves precisely how long an employee must serve with them, up to 15 years, in order to qualify for the benefits under this legislation. My recommended change would allow for that discretion and is consistent with the purposes of this bill.

For these reasons, I herewith return Assembly Bill No. 1059 and recommend that it be amended as follows:

<u>Page 1, Section 1, Line 19:</u>	After "and" delete "at least 15 years" and insert "a period"; after "service" insert "from 0 to 15 years"
<u>Page 1, Section 1, Line 20:</u>	After "retirement" insert ", such period to be determined by the employer and included in its resolution"

Respectfully,

/s/ Christine Todd Whitman

GOVERNOR

[seal]

Attest:

/s/ Peter Verniero

Chief Counsel to the Governor