

18A:66-8

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NJSA: 18A:66-8 et al

(State Retirement  
system--purchase  
credit)

LAWS OF: 1991

CHAPTER: 138

Bill No: A2836

Sponsor(s): Zangari and others

Date Introduced: Pre-filed

Committee: Assembly: Appropriations; State Operations

Senate: -----

Amended during passage: Yes      Amendments during passage  
denoted by asterisks.

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Following statements are attached if available:

Sponsor statement: Yes

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[FIRST REPRINT]  
ASSEMBLY, No. 2836

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1990 SESSION

By Assemblymen ZANGARI, MARTIN, Roma and Felice

1 AN ACT concerning the purchase of pension credit for public  
2 employment in this State in the Teachers' Pension and Annuity  
3 Fund, the Public Employees' Retirement System, and the  
4 Police and Firemen's Retirement System, <sup>1</sup>[and]<sup>1</sup> amending  
5 N.J.S.18A:66-8, N.J.S.18A:66-9, N.J.S.18A:66-10,  
6 N.J.S.18A:66-14, N.J.S.18A:66-15.1, P.L.1954, c.84, P.L.1944,  
7 c.255, P.L.1973, c.63, and P.L.1981, c.479 <sup>1</sup>and supplementing  
8 P.L. 1944, c. 255<sup>1</sup>.

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

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

13 18A:66-8. a. If a teacher:

14 (1) is dismissed by [his] an employer by reason of reduction in  
15 number of teachers employed in the school district, institution or  
16 department when in the judgment of the employer it is advisable  
17 to abolish any office, position or employment for reasons of a  
18 reduction in the number of pupils, economy, a change in the  
19 administrative or supervisory organization or other good cause; or  
20 [if a teacher] becomes unemployed by reason of the creation of a  
21 regional school district or a consolidated school district; or [if a  
22 teacher] has been discontinued [for] from service [through no]  
23 without personal fault [of his own] or through leave of absence  
24 granted by [his] an employer or permitted by any law of this  
25 State; and

26 (2) [if such teacher] has not withdrawn [his] the accumulated  
27 [deductions] member's contributions from the retirement  
28 system, [his] the teacher's membership may continue,  
29 notwithstanding any provisions of this article, if [such] the  
30 member returns to service within a period of [5] 10 years from  
31 the date of [his] discontinuance from service[; no]. No credit for  
32 retirement purposes shall be allowed to [such] the member[,]  
33 covering the period of [his] discontinuance, except as provided in  
34 this section. In computing the service or in computing final  
35 compensation, no time after September 1, 1919, during which a  
36 member [was] shall have been employed as a teacher at an annual  
37 salary or remuneration fixed at less than \$500.00 shall be  
38 credited, except that in the case of a veteran member credit

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:

<sup>1</sup> Assembly AAP committee amendments adopted May 2, 1991.

1 shall be given for service rendered prior to January 1, 1955, in an  
2 employment, office or position if the annual salary or  
3 remuneration therefor was fixed at not less than \$300.00 and  
4 [such] the service consisted of the performance of the full duties  
5 of [such] the employment, office or position.

6 b. [In computing service,] A teacher may purchase credit for  
7 1[any]<sup>1</sup> time during which [such] the teacher [was] shall have been  
8 absent on an official leave without pay [shall be credited] <sup>1</sup>[if  
9 [such] the absence [was] is for a period of]. The credit shall be  
10 purchased for a period of time equal to<sup>1</sup>:

11 (1) <sup>1</sup>[less than]<sup>1</sup> [3] three months <sup>1</sup>or the duration of the leave,  
12 whichever is less<sup>1</sup>; or

13 (2) <sup>1</sup>[up to a maximum of [2] two years]<sup>1</sup> if the leave was due  
14 to the member's personal illness <sup>1</sup>[or maternity] , two years or  
15 the duration of the leave, whichever is less<sup>1</sup> [and the period of  
16 leave is allowed for retirement purposes within 1 year following  
17 his return to service after the termination of such leave,]; or

18 (3) the period of leave [was] <sup>1</sup>that<sup>1</sup> is specifically allowed for  
19 retirement purposes by the provisions of any law of this State.

20 [The method of computation, the terms of the purchase and  
21 credit granted shall be identical to those stipulated] The purchase  
22 shall be made in the same manner and be subject to the same  
23 terms and conditions provided for the purchase of previous  
24 membership service [by members of the fund as provided] by  
25 [section] N.J.S.18A:66-9.

26 (cf: P.L.1971, c.121, s.3)

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

28 18A:66-9. If a teacher who has withdrawn [his] the  
29 accumulated [deductions] member's contributions from the  
30 retirement system as provided in [section] N.J.S.18A:66-34 is  
31 reenrolled as a member, [he] that teacher may purchase credit  
32 for all of [his] the previous membership service by paying into the  
33 annuity savings fund the amount required by applying the factor,  
34 supplied by the actuary[,] as being applicable to [his] the  
35 member's age at the time of the purchase, to [his] the member's  
36 salary at that time, or to the highest annual compensation for  
37 service in this State for which contributions shall have been made  
38 during any fiscal year of membership or to the highest annual  
39 compensation for service in this State during any fiscal year for  
40 which credit is purchased, whichever is highest. [Such] The  
41 purchase may be made in regular installments, equal to at least  
42 one half the full normal contribution to the retirement system,  
43 over a maximum period of 10 years. [In order to give to such  
44 person the same credit for such services as he had at the time of  
45 withdrawal, his pension credit shall be restored as it was at the  
46 time of his withdrawal upon the completion of one year of  
47 membership after his election to make the purchase and the  
48 payment of at least one half the total amount due, except that in

1 the case of retirement pursuant to sections 18A:66-36,  
2 18A:66-37, 18A:66-44 and 18A:66-71 the credit granted for the  
3 service being purchased shall be in direct proportion as the  
4 amount paid bears to the total amount of the arrearage  
5 obligation.]

6 Any member electing to purchase service credit hereunder who  
7 retires prior to completing the payments as agreed with the  
8 retirement system will receive pro rata credit for service  
9 purchased prior to the date of retirement, but if the member so  
10 elects at the time of retirement, the member may make the  
11 additional lump-sum payment required at that time to provide  
12 full credit.

13 (cf: N.J.S.18A:66-9)

14 3. N.J.S.18A:66-10 is amended to read as follows:

15 18A:66-10. Any person who was employed as a teacher prior to  
16 January 2, 1955 and who did not join the [teachers' pension and  
17 annuity fund,] Teachers' Pension and Annuity Fund may join at  
18 any time. [Such] The person shall have the option of joining the  
19 retirement system as a new member upon proper application with  
20 no credit for previous service, or [he may purchase] of purchasing  
21 membership credit for this previous service [by paying into the  
22 annuity savings fund the amount required by applying the factor,  
23 supplied by the actuary, as being applicable to his age at the time  
24 of the purchase, to his salary at that time. Such purchase may be  
25 made in regular installments, equal to at least one half the full  
26 normal contribution to the retirement system, over a maximum  
27 period of 10 years.

28 In the case of any person coming under the provisions of this  
29 section, full pension credit for the period of employment for  
30 which arrears are being paid shall be given upon the payment of  
31 at least one half the total arrearage obligation and the  
32 completion of one year of membership and the making of such  
33 arrears payments, except that in the case of retirement pursuant  
34 to sections 18A:66-36, 18A:66-37, 18A:66-44 and 18A:66-71 the  
35 total membership credit for such service shall be in direct  
36 proportion as the amount paid bears to the total amount of the  
37 arrearage obligation]. The purchase shall be made in the same  
38 manner and be subject to the same terms and conditions provided  
39 for the purchase of previous membership service by  
40 N.J.S.18A:66-9.

41 Any person coming under the provision of this section shall not  
42 be allowed any of the death benefits established by [sections]  
43 N.J.S.18A:66-38, N.J.S.18A:66-41, N.J.S.18A:66-42,  
44 N.J.S.18A:66-44, N.J.S.18A:66-46 and N.J.S.18A:66-53 unless he  
45 becomes a member within 12 months after January 1, 1956, or  
46 furnishes satisfactory evidence of insurability.

47 (cf: N.J.S.18A:66-10)

48 4. N.J.S.18A:66-14 is amended to read as follows:

1 18A:66-14. Any person employed temporarily as a teacher  
2 [and] whose temporary employment resulted, without  
3 interruption, in permanent employment, [or] and any person who  
4 was employed as a substitute immediately prior to permanent  
5 employment [shall be permitted to make contributions covering  
6 such] may purchase credit for the temporary or substitute service  
7 [on the basis of rates as provided by section 18A:66-29 and  
8 receive the same credit as if he had been a member during such  
9 service. The member must agree to make such contributions  
10 within 1 year after the effective date of this act or during his  
11 first year of membership in the retirement system]. The  
12 purchase shall be made in the same manner and be subject to the  
13 same terms and conditions provided for the purchase of previous  
14 membership service by N.J.S.18A:66-9.

15 (cf: P.L.1971, c.121, s.5)

16 5. N.J.S.18A:66-15.1 is amended to read as follows:

17 18A:66-15.1. a. [A person who has been or is a member of a  
18 State-administered retirement system or pension fund and who  
19 has taken or shall take office, position or employment in any  
20 position covered by the Teachers' Pension and Annuity Fund and  
21 is a member of said fund shall be entitled, upon application, to  
22 service credited in such retirement system or pension fund in the  
23 Teachers' Pension and Annuity Fund upon transfer of his  
24 contributions from the State-administered retirement system or  
25 pension fund to the fund. If he has withdrawn his contributions  
26 from the State-administered retirement system or pension fund,  
27 he may purchase credit for all of his service in such retirement  
28 system or pension fund by paying into the annuity savings fund  
29 the amount required by applying the factor, supplied by the  
30 actuary, as being applicable to his age at the time of the  
31 purchase, to his salary at that time. The terms of the purchase  
32 and the credit granted shall be identical to those stipulated for  
33 the purchase of previous membership service by members of the  
34 fund as provided by section 18A:66-9.] A member who is a  
35 member of another State-administered retirement system or  
36 pension fund at the time of enrollment in the Teachers' Pension  
37 and Annuity Fund and who does not contribute to the other  
38 system or fund after that time may transfer the service credit in  
39 the other system or fund to the Teachers' Pension and Annuity  
40 Fund upon application and transfer of the member's contributions  
41 from the other system or fund to the fund. If the member has  
42 withdrawn the contributions to the other retirement system or  
43 pension fund, the member may purchase credit for the service in  
44 the other system or fund. The purchase shall be made in the  
45 same manner and be subject to the same terms and conditions  
46 provided for the purchase of previous membership service by  
47 N.J.S.18A:66-9.

48 b. A member of the retirement system who had established

1 service credit in a municipal or county retirement system or  
2 pension fund, and who was ineligible to transfer the service credit  
3 to the retirement system and withdrew contributions from the  
4 municipal or county retirement system or pension fund, may  
5 purchase credit for all of the member's service in that  
6 retirement system or pension fund by paying into the annuity  
7 savings fund the amount required by applying the factor, supplied  
8 by the actuary, as being applicable to the member's age at the  
9 time of the purchase, to the member's salary at that time, or to  
10 the highest annual compensation for service in this State for  
11 which contributions were made during any prior fiscal year of  
12 membership, whichever is greater. The terms of the purchase  
13 and the credit granted shall be identical, except as otherwise  
14 herein provided, to those stipulated for the purchase of previous  
15 membership service by members of the retirement system as  
16 provided by section 18A:66-9.

17 (cf: P.L.1989, c.101, s.1)

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

20 8. a. If a member of the retirement system has been  
21 discontinued from service [through no] without personal fault [of  
22 his own] or through leave of absence granted by [his] an employer  
23 or permitted by any law of this State and [he] has not withdrawn  
24 [his] the accumulated [deductions] member's contributions from  
25 the retirement system, [his] the membership of that member may  
26 continue, notwithstanding any provisions of this act if [such] the  
27 member returns to service within a period of 10 years from the  
28 date of [his] discontinuance from service.

29 No credit for pension purposes shall be allowed to [such] the  
30 member[,] covering the period of [his] the discontinuance, unless  
31 leave of absence [was] shall have been granted by [his] the  
32 employer and the board, as provided for in section 39 of this act.

33 b. If an employee who has withdrawn [his] the accumulated  
34 [deductions] member's contributions from the former "State  
35 Employees' Retirement System" or the retirement system as  
36 provided in section 41 of this act is re-enrolled as a member of  
37 the retirement system, [he] that member may purchase credit for  
38 all of [his] the previous membership service by paying into the  
39 annuity savings fund the amount required by applying the factor,  
40 supplied by the actuary[,] as being applicable to [his] the  
41 member's age at the time of the purchase, to [his] the member's  
42 salary at that time, or to the highest annual compensation for  
43 service in this State for which contributions shall have been made  
44 during any fiscal year of membership or to the highest annual  
45 compensation for service in this State during any fiscal year for  
46 which credit is purchased, whichever is highest. [Such] The  
47 purchase may be made in regular installments, equal to at least  
48 one-half the full normal contribution to the retirement system,

1 over a maximum period of 10 years. [In order to give to such  
2 person the same credit for such service as he had at the time of  
3 withdrawal, his pension credit shall be restored as it was at the  
4 time of his withdrawal upon the completion of one year of  
5 membership after his election to make the purchase and the  
6 payment of at least one-half the total amount due, except that in  
7 the case of retirement pursuant to sections 38, 41(b), 48 and 61,  
8 the credit granted for the service being purchased shall be in  
9 direct proportion as the amount paid bears to the total amount of  
10 the arrearage obligation.]

11 Any member electing to purchase service credit hereunder who  
12 retires prior to completing the payments as agreed with the  
13 retirement system will receive pro rata credit for service  
14 purchased prior to the date of retirement, but if the member so  
15 elects at the time of retirement, the member may make the  
16 additional lump-sum payment required at that time to provide  
17 full credit.

18 (cf: P.L.1985, c.532, s.1)

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

21 9. Any person other than a veteran who was in the employ of  
22 the State prior to January 2, 1955, and who did not join the  
23 former "State Employees' Retirement System," may join the  
24 retirement system at any time. [Such] The person shall have the  
25 option of joining the retirement system as a new member upon  
26 proper application with no credit for previous service, or [he may  
27 purchase] of purchasing membership credit for [his] the previous  
28 service [by paying into the annuity savings fund the amount  
29 required by applying the factor, supplied by the actuary, as being  
30 applicable to his age at the time of the purchase, to his salary at  
31 that time. Such purchase may be made in regular installments,  
32 equal to at least 1/2 the full normal contribution to the  
33 retirement system, over a maximum period of 10 years.

34 In the case of any person coming under the provisions of this  
35 section, full pension credit for the period of employment for  
36 which arrears are being paid shall be given upon the payment of  
37 at least 1/2 of the total arrearage obligation and the completion  
38 of 1 year of membership and the making of such arrears  
39 payments, except that in the case of retirement pursuant to  
40 sections 38, 41(b), 48 and 61 the total membership credit for such  
41 service shall be in direct proportion as the amount paid bears to  
42 the total amount of the arrearage obligation].

43 The purchase shall be made in the same manner and be subject  
44 to the same terms and conditions provided for the purchase of  
45 previous membership service by section 8 of P.L.1954, c.84  
46 (C.43:15A-8).

47 (cf: P.L.1966, c.217, c.4)

48 8. Section 11 of P.L.1954, c.84 (C.43:15A-11) is amended to

1 read as follows:

2 11. Any person employed temporarily by an employer [and]  
3 whose temporary employment resulted, without interruption, in  
4 permanent employment [shall be permitted to make contributions  
5 covering such] may purchase credit for that temporary service  
6 [on the basis of rates as provided by section 25 (C.43:15A-25) and  
7 receive the same credit as if he had been a member during such  
8 service. The member must agree to make such contributions  
9 within 1 year after the effective date of this act or during his  
10 first year of membership in the retirement system]. The  
11 purchase shall be made in the same manner and be subject to the  
12 same terms and conditions provided for the purchase of previous  
13 membership service by section 8 of P.L.1954, c.84 (C.43:15A-8).

14 (cf: P.L.1971, c.213, s.3)

15 9. Section 14 of P.L.1954, c.84 (C.43:15A-14) is amended to  
16 read as follows:

17 14. [A person who has been or is a member of a  
18 State-administered retirement system or pension fund and who  
19 has taken or shall take office, position or employment in any  
20 position covered by the Public Employees' Retirement System  
21 and is a member of said system shall be entitled, upon  
22 application, to service credited in such retirement system or  
23 pension fund in the Public Employees' Retirement System upon  
24 transfer of his contributions from the State-administered  
25 retirement system or pension fund to the retirement system. If  
26 he has withdrawn his contributions from the State-administered  
27 retirement system or pension fund, he may purchase credit for all  
28 of his service in such retirement system or pension fund by paying  
29 into the annuity savings fund the amount required by applying the  
30 factor, supplied by the actuary, as being applicable to his age at  
31 the time of the purchase, to his salary at that time. The terms of  
32 the purchase and the credit granted shall be identical to those  
33 stipulated for the purchase of previous membership service by  
34 members of the system as provided by section 8 (C.43:15A-8).]

35 A member who is a member of another State-administered  
36 retirement system or pension fund at the time of enrollment in  
37 the Public Employees' Retirement System and does not  
38 contribute to the other system or fund after that time may  
39 transfer the service credit in the other system or fund to the  
40 Public Employees' Retirement System upon application and  
41 transfer of the member's contributions from the other system or  
42 fund to the system. If the member has withdrawn the  
43 contributions to the other retirement system or pension fund, the  
44 member may purchase credit for the service in the other system  
45 or fund. The purchase shall be made in the same manner and be  
46 subject to the same terms and conditions provided for the  
47 purchase of previous membership service by section 8 of  
48 P.L.1954, c.84 (C.43:15A-8).

49 (cf: P.L.1981, c.479, s.2)



1       10. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to  
2 read as follows:

3       39. In computing for retirement purposes the total service [as]  
4 of a member about to be retired, the retirement system shall  
5 credit [him] the member with the time of all service rendered by  
6 [him] the member since [he] that member's last [became a  
7 member] enrollment, and in addition with all the service to which  
8 [he] the member is entitled and with no other service. Except as  
9 otherwise provided in this act, [such] this service credit shall be  
10 final and conclusive for retirement purposes unless the member  
11 shall discontinue [his] service for more than two consecutive  
12 years.

13       For the purpose of computing service for retirement purposes,  
14 the board shall fix and determine by appropriate rules and  
15 regulations how much service in any year shall equal a year of  
16 service and a part of a year of service. Not more than one year  
17 shall be credited for all service in a calendar year. [In computing  
18 service,] A member may purchase credit for <sup>1</sup>[any]<sup>1</sup> time during  
19 which [a] the member [was] shall have been absent on an official  
20 leave without pay [shall be credited,] <sup>1</sup>[if [such] that absence was  
21 [for a period of]]. The credit shall be purchased for a period of  
22 time equal to<sup>1</sup>:

23       (1) <sup>1</sup>[ for a period of less than]<sup>1</sup> three months <sup>1</sup>or the duration  
24 of the leave, whichever is less<sup>1</sup>[,]; or

25       (2) <sup>1</sup>[ for a period of up to a maximum of two years]<sup>1</sup> if the  
26 leave was due to the member's personal illness <sup>1</sup>[or maternity] ,  
27 two years or the duration of the leave, whichever is less<sup>1</sup> [and the  
28 period of leave is allowed for retirement purposes within one year  
29 following his return to service after the termination of such  
30 leave,]; or

31       (3) [the] <sup>1</sup>[for a] the<sup>1</sup> period of leave [was] <sup>1</sup>that is<sup>1</sup>  
32 specifically allowed for retirement purposes by the provisions of  
33 any law of this State.

34       The [method of computation, the terms of the purchase and  
35 credit granted shall be identical to those stipulated] purchase  
36 shall be made in the same manner and be subject to the same  
37 terms and conditions provided for the purchase of previous  
38 membership service [by members of the system as provided]  
39 credit by section 8 of P.L.1954, c.54 (C.43:15A-8). In computing  
40 the service or in computing final compensation, no time during  
41 which a member was in employment, office, or position[,] for  
42 which the annual salary or remuneration was fixed at less than  
43 \$500.00 in the case of service rendered prior to November 6,  
44 1986, or less than \$1,500.00 in the case of service rendered on or  
45 after that date, shall be credited, except that in the case of a  
46 veteran member credit shall be given for service rendered prior  
47 to January 2, 1955, in an employment, office or position if the  
48 annual salary or remuneration therefor was fixed at not less than

1 \$300.00 and such service consisted of the performance of the full  
2 duties of [such] the employment, office or position.

3 (cf: P.L.1986, c.139, s.2)

4 11. Section 4 of P.L.1944, c.255 (C.43:16A-4) is amended to  
5 read as follows:

6 4. Only service as a policeman or fireman paid for by an  
7 employer, which was rendered by a member since [he became a  
8 member] that member's enrollment, or [,] since [he] that  
9 member's last [became a member] enrollment in case of a break  
10 in service, plus service, if any, covered by a prior service  
11 liability, shall be considered as creditable service for the  
12 purposes of this act[, except that]. A member may purchase  
13 credit for temporary service as a policeman or fireman [may also  
14 be considered as creditable service], or as the holder of a title  
15 which, following the termination of that temporary service,  
16 became covered by the provisions of P.L.1944, c.255 (C.43:16A-1  
17 et seq.), if [it results] that temporary service shall have resulted,  
18 without interruption, in a valid permanent or probational  
19 appointment as a policeman or fireman [and the member agrees  
20 during his first year of membership in the retirement system, or  
21 within 1 year after the effective date of this 1975 amendatory  
22 act, to make contributions covering such temporary service on  
23 the basis of rates established by the actuary] or to a position, the  
24 title of which became covered by the retirement system  
25 following the member's appointment thereto. The purchase shall  
26 be made in the same manner and be subject to the same terms  
27 and conditions provided for the purchase of previous membership  
28 service by section 1 of P.L.1973, c.63 (C.43:16A-11.4).

29 (cf: P.L.1975, c.388, s.1)

30 12. Section 1 of P.L.1973, c.63 (C.43:16A-11.4) is amended to  
31 read as follows:

32 1. If an employee who has withdrawn [his aggregate] the  
33 accumulated member's contributions from the Police and  
34 Firemen's Retirement System, as provided by section 11 of  
35 P.L.1944, c.255 (C.43:16A-11) is reenrolled as a member of the  
36 retirement system, [he] the member may purchase credit for all  
37 of [his] the previous membership service by paying into the  
38 annuity savings fund the amount required by applying the factor,  
39 supplied by the actuary[,], as being applicable to [his] the  
40 member's age at the time of the purchase, to [his] the member's  
41 salary[,], at that time, or the highest annual compensation for  
42 service in this State for which contributions shall have been made  
43 during any fiscal year of membership or to the highest annual  
44 compensation for service in this State during any fiscal year for  
45 which credit is purchased, whichever is the highest. [Such] The  
46 purchase may be made in regular installments, equal to at least  
47 1/2 the normal contribution to the retirement system, over a  
48 maximum period of 10 years. [In order to give to such person the

1 same credit for such service as he had at the time of withdrawal,  
2 the pension credit shall be restored as it was at the time of his  
3 withdrawal upon the completion of 1 year of membership after  
4 his election to make the purchase and the payment of at least 1/2  
5 the total amount due, except that in the case of retirement  
6 pursuant to section 5 of P.L.1944, c.255 (C.43:16A-5) and  
7 sections 16 and 17 of P.L.1964, c.241 (C.43:16A-11.1 and  
8 43:16A-11.2), the credit granted for the service being purchased  
9 shall be in direct proportion as the amount paid bears to the total  
10 amount of the arrearage obligation.]

11 Any member electing to purchase service credit hereunder who  
12 retires prior to completing the payments as agreed with the  
13 retirement system will receive pro rata credit for service  
14 purchased prior to the date of retirement, but if the member so  
15 elects at the time of retirement, the member may make the  
16 additional lump-sum payment required at that time to provide  
17 full credit.

18 (cf: P.L.1973, c.63, s.1)

19 13. Section 3 of P.L.1981, c.479 (C.43:16A-11.6) is amended to  
20 read as follows:

21 3. [Any person who has been or is a member of a  
22 State-administered retirement system or pension fund and who  
23 has taken or shall take office, position or employment in any  
24 position covered by the Police and Firemen's Retirement System  
25 and is a member of said system shall be entitled, upon  
26 application, to service credited in such retirement system or  
27 pension fund in the Police and Firemen's Retirement System  
28 upon transfer of his contributions from the State-administered  
29 retirement system or pension fund to the Police and Firemen's  
30 Retirement System. If such person has withdrawn his  
31 contributions from the State-administered retirement system or  
32 pension fund he may purchase credit for all of his service in such  
33 retirement system or pension fund by paying into the annuity  
34 savings fund the amount required by applying the factor, supplied  
35 by the actuary, applicable to his age at the time of the purchase,  
36 to his salary at that time. The terms of the purchase and the  
37 credit granted shall be identical to those stipulated for the  
38 purchase of previous membership service by members of the  
39 system as provided by section 1 of P.L.1973, c.63  
40 (C.43:16A-11.4).]

41 A member who is a member of another State-administered  
42 retirement system or pension fund at the time of enrollment in  
43 the Police and Firemen's Retirement System and does not  
44 contribute to the other system or fund after that time may  
45 transfer the service credit in the other system or fund to the  
46 Police and Firemen's Retirement System upon application and  
47 transfer of the member's contributions from the other system or  
48 fund to the system. If the member has withdrawn the

1 contributions to the other retirement system or pension fund, the  
 2 member may purchase credit for the service in the other system  
 3 or fund. The purchase shall be made in the same manner and be  
 4 subject to the same terms and conditions provided for the  
 5 purchase of previous membership service by section 1 of  
 6 P.L.1973, c.63 (C.43:16A-11.4).

7 (cf: P.L.1981, c.479, s.3)

8 <sup>114</sup> (New section) A member of the Police and Firemen's  
 9 Retirement System may purchase credit for time during which  
 10 the member shall have been absent on an official leave without  
 11 pay. The credit shall be purchased for a period of time equal to:

12 a. three months or the duration of the leave, whichever is less;

13 or

14 b. if the leave was due to the member's personal illness, two  
 15 years or the duration of the leave, whichever is less; or

16 c. the period of leave that is specifically allowed for  
 17 retirement purposes by the provisions of any law of this State.

18 The purchase shall be made in the same manner and be subject  
 19 to the same terms and conditions provided for the purchase of  
 20 previous membership service by section 1 of P.L.1973, c.63  
 21 (C.43:16A-11.4).<sup>1</sup>

22 <sup>115</sup> (New section) Notwithstanding the provisions of  
 23 N.J.S.18A:66-8, N.J.S.18A:66-14, section 11 of P.L.1954, c.84  
 24 (C.43:15A-11), section 39 of P.L.1954, c.84 (C.43:15A-39),  
 25 section 4 of P.L.1944, c.255 (C.43:16A-4) and section 14 of P.L. .  
 26 . ,c. . .(C. . . )(now pending before the Legislature as this bill)  
 27 concerning periods of leave time or temporary service available  
 28 for purchase, between the effective date of this act and April 1,  
 29 1992 a member may purchase any portion of the member's  
 30 temporary service credit or credit for leave of absence.<sup>1</sup>

31 <sup>1</sup>[14.] 16.<sup>1</sup> This act shall take effect immediately.

#### 34 PUBLIC EMPLOYEE BENEFITS

35  
 36 Expands right of members of TPAF, PERS and PFRS to purchase  
 37 credit for temporary service and establishes uniform terms and  
 38 conditions for the purchase of all service credit.

position covered by the Police and Firemen's Retirement System and is a member of said system shall be entitled, upon application, to service credited in such retirement system or pension fund in the Police and Firemen's Retirement System upon transfer of his contributions from the State-administered retirement system or pension fund to the Police and Firemen's Retirement System. If such person has withdrawn his contributions from the State-administered retirement system or pension fund he may purchase credit for all of his service in such retirement system or pension fund by paying into the annuity savings fund the amount required by applying the factor, supplied by the actuary, applicable to his age at the time of the purchase, to his salary at that time. The terms of the purchase and the credit granted shall be identical to those stipulated for the purchase of previous membership service by members of the system as provided by section 1 of P.L.1973, c.63 (C.43:16A-11.4).]

A member who is a member of another State-administered retirement system or pension fund at the time of enrollment in the Police and Firemen's Retirement System and does not contribute to the other system or fund after that time may transfer the service credit in the other system or fund to the Police and Firemen's Retirement System upon application and transfer of the member's contributions from the other system or fund to the system. If the member has withdrawn the contributions to the other retirement system or pension fund, the member may purchase credit for the service in the other system or fund. The purchase shall be made in the same manner and be subject to the same terms and conditions provided for the purchase of previous membership service by section 1 of P.L.1973, c.63 (C.43:16A-11.4).

(cf: P.L.1981, c.479, s.3)

14. This act shall take effect immediately.

#### STATEMENT

This bill establishes uniform terms and conditions for the purchase of all service credit for public employment in this State in the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System and the Police and Firemen's Retirement System. These terms and conditions are to be the same as those currently provided by law for the purchase of previous membership service. The legislation eliminates the current requirement that purchase of credit for temporary service or for extended unpaid leave of absence for personal illness or maternity must be made within one year of the member's enrollment in the retirement system or return to

covered service.

The bill also makes a change in the salary base which is to be used in calculating the cost of any of these categories of purchases, including that of previous membership. Under current law, the salary base used is the member's salary at the time of the purchase. According to the Division of Pensions, this salary is usually the highest salary that the member has received up to the time of the purchase, and is therefore an appropriate salary figure to use, since it is closest to the salary base that will ultimately be used as a basis for determining the recipient's retirement and death benefits. The Division further notes, however, that it is possible for a member purchasing service to be receiving a current salary which is much lower than that received during prior years of employment, and that in such a case, the cost of the purchase may not adequately reflect the true cost of that purchase to the retirement system, since the member's benefits may turn out to be based on the higher salary of those prior years. The bill addresses this contingency by providing that all purchases will be based upon the current salary or the highest compensation for any fiscal year of membership or any fiscal year for which credit is being purchased, whichever is highest.

#### PUBLIC EMPLOYEE BENEFITS

Expands right of members of TPAF, PERS and PFRS to purchase credit for temporary service and establishes uniform terms and conditions for the purchase of all service credit.

ASSEMBLY STATE OPERATIONS AND PERSONNEL  
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2836

STATE OF NEW JERSEY

DATED: FEBRUARY 8, 1990

The Assembly State Operations and Personnel Committee reports favorably Assembly, No. 2836.

This bill establishes uniform terms and conditions for the purchase of all service credit for public employment in this State in the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System and the Police and Firemen's Retirement System. These terms and conditions are to be the same as those currently provided by law for the purchase of previous membership service. The legislation eliminates the current requirement that purchase of credit for temporary service or for extended unpaid leave of absence for personal illness or maternity must be made within one year of the member's enrollment in the retirement system or return to covered service.

The bill also makes a change in the salary base which is to be used in calculating the cost of any of these categories of purchases, including that of previous membership. Under current law, the salary base used is the member's salary at the time of the purchase. According to the Division of Pensions, this salary is usually the highest salary that the member has received up to the time of the purchase, and is therefore an appropriate salary figure to use, since it is closest to the salary base that will ultimately be used as a basis for determining the recipient's retirement and death benefits. The Division further notes, however, that it is possible for a member purchasing service to be receiving a current salary which is much lower than that received during prior years of employment, and that in such a case, the cost of the purchase may not adequately reflect the true cost of that purchase to the retirement system, since the member's benefits may turn out to be based on the higher salary of those prior years. The bill addresses this contingency by providing that all purchases will be based upon the current salary or the highest compensation for any fiscal year of membership or any fiscal year for which credit is being purchased, whichever is highest.

The committee understands that this bill will be referred to the Assembly Appropriations Committee for further fiscal study and evaluation.

This bill was pre-filed for introduction in the 1990 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2836

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 2, 1991

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2836 with committee amendments.

Assembly Bill No. 2836, as amended, establishes uniform terms and conditions for the purchase of service credit for public employment in this State in the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These terms and conditions shall be the same as those provided by law for the purchase of previous membership service. The legislation eliminates the current requirement that purchase of credit for temporary service or for extended unpaid leave of absence for personal illness must be made within one year of the member's enrollment in the retirement system or return to covered service.

The bill also changes the salary base used in calculating the cost of purchasing service credit, including that of previous membership service. At present, the salary base used is the member's salary at the time of the purchase which is usually the highest salary received. However, it is possible for a member to receive a current salary lower than that received during prior years of employment, so the cost of the purchase may not adequately reflect the true cost to the retirement system. The bill addresses this contingency by providing that all purchases will be based upon the current salary or the highest compensation for any fiscal year of membership or any fiscal year for which credit is being purchased, whichever is highest.

As amended, this bill is identical to Senate Bill No. 1337 (1R).

FISCAL IMPACT

The fiscal impact of this bill will depend upon the number of pension system members who purchase credit and the number of years of credit that they purchase. The average cost of one year of service for a member purchasing prior service is currently \$3,300 in PERS, \$4,747 in TPAF and \$9,058 in PFRS. The cost would be divided equally between the employee and the employer. In addition to these costs, the Division of Pensions estimated for a similar bill, administrative costs of about \$150,000 for the first year and \$50,000 each year thereafter to provide responses to requests for quotations.



There may be additional costs in the future if the factors developed by the actuary prove insufficient to pay the retirement benefits of these individuals. Since the members will be making the purchase based on enhancing their retirement benefits, the cost at the time of retirement may be greater than anticipated by the actuary, especially if the member is purchasing credit towards disability, deferred or service retirement. Also, to the extent that retirement benefits are enhanced and if additional retirees qualify for State-paid medical benefits upon retirement, the liability of the retirement system for the Pension Adjustment Program will increase.

#### COMMITTEE AMENDMENTS

The committee amendments extend to members of PFRS the same option to purchase service credit for leave time that is available to members of TPAF and PERS. For the period between the enactment of this bill and April 1, 1992, the amendments also permit members of all three pension systems to purchase a portion, rather than all, of their temporary service or leave time. This provision may allow members to take advantage of the retirement incentives contained in Assembly Bill, No. 4636 (1R) and other pending legislation. The amendments also clarify the maximum period of leave time and remove the reference to maternity leave from the description of personal illness.

ASSEMBLY, No. 2836

STATE OF NEW JERSEY

DATED: May 22, 1990

Assembly Bill No. 2836 of 1990 establishes uniform terms and conditions for the purchase of all service credit for public employment in this State in the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These terms and conditions are to be the same as those currently provided by law for the purchase of previous membership service. The legislation eliminates the current requirement that the purchase of credit for temporary service or for extended unpaid leave of absence for personal illness or maternity must be made within one year of the member's enrollment in the retirement system or return to covered service. The bill provides that the cost of the purchase shall be based on the member's salary at the time of the purchase or the member's highest annual salary.

Although the Division of Pensions has not prepared a fiscal note for this bill, the division did provide information on identical legislation from last session, Assembly Bill No. 4346 of 1989. The division noted that it has no information available on the actual number of individuals who would be eligible to purchase service credit or how much credit each person would purchase under the provisions of this bill. The division stated that the average cost of one year of service is \$2,284 in PERS, \$3,386 in TPAF and \$7,450 in PFRS. The cost is to be divided equally between the employee and the employer.

The division further noted that due to the selection permissible under this legislation there may be additional costs in the future if the factors developed by the actuary prove insufficient to pay the retirement benefits of these individuals. Since the members will be making the purchase based on enhancing their retirement benefits and only purchasing sufficient service credit to maximize their benefits, the cost at the time of retirement may be greater than anticipated by the actuary, especially if the member is purchasing credit towards disability or service retirement. This cost will result in an increase in the liability of the system and will be paid for by the employers.

The division also noted that the cost of the cost-of-living adjustments for retirees will increase to the extent that individuals retire early and retirement benefits are enhanced.

The division anticipated an administrative cost of about \$150,000 the first year and \$50,000 each year thereafter to provide responses to the large number of requests for quotations. The division estimated that as many as 30,000 members of PERS, 10,000 members of TPAF and 8,000 members of PFRS will request quotations on the cost of purchasing prior service. The division estimated that as

many as 12,000 members of PERS, 2,000 members of TPAF and 500 members of PFRS may actually purchase some prior service. If these 14,500 individuals were to purchase only one year of prior service, the cost to the State would be approximately \$8.1 million and the cost to local governments approximately \$10.9 million. Once the opportunity to purchase prior service is utilized by this initial group, the division estimated the annual cost will decrease to approximately \$2.1 million to the State and \$1.2 million to local governments.

The Office of Legislative Services (OLS) notes that it has no information available to verify the division's estimates on the number of individuals who will request estimates or actually make purchases. The OLS notes that the division regards this legislation as preferable to the periodic legislation providing for the purchase of temporary service because it eliminates most of the potential for windfall benefits by using the members' highest salary in calculating the cost of the purchase.

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.