

18A:66-13

LEGISLATIVE HISTORY CHECKLIST
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NJSA: 18A:66-13

(State
Retirement--military
service--credit)

LAWS OF: 1991

CHAPTER: 153

Bill No: A2835

Sponsor(s): Zangari

Date Introduced: Pre-filed

Committee: Assembly: State Operations

Senate: State Government

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

Date of Passage: Assembly: April 2, 1991

Senate: May 9, 1991

Date of Approval: June 6, 1991

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes

Senate: Yes

Fiscal Note: Yes

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

KBG/SLJ

[FIRST REPRINT]
ASSEMBLY, No. 2835

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1990 SESSION

By Assemblymen ZANGARI, MARTIN, Roma, Doyle,
Assemblywoman Ford and Assemblyman Cimino

1 AN ACT concerning the purchase of service credit for public
2 employment in other states ¹[or with the United States
3 Government]¹ or for military service in the Armed Forces of
4 the United States, amending N.J.S.18A:66-13, P.L.1963, c.19,
5 and P.L.1968, c.23, supplementing P.L.1944, c.255 (C.43:16A-1
6 et seq.) and repealing section 1 of P.L.1983, c.198, section 1 of
7 P.L.1981, c.451, and sections 1 and 2 of P.L.1983, c.391.
8

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

11 1. N.J.S.18A:66-13 is amended to read as follows:

12 18A:66-13. Prior service credit. A member may file a
13 detailed statement of: a. school service and service in a similar
14 capacity in other states and in schools within and outside the
15 United States operated by a department of the United States
16 Government for the instruction of the children of United States
17 Government officers and employees, or b. other public
18 employment in other states or with the United States
19 Government which would be eligible for credit in a
20 State-administered retirement system if the employment was
21 with a public employer in this State, or c. military service in the
22 Armed Forces of the United States, rendered [by him] prior to
23 becoming a member, for which [he] the member desires credit
24 [and on account of which he desires to contribute], and of such
25 other facts as the retirement system may require. [He shall have
26 the right to] The member may purchase credit for all or a portion
27 of the [prior] service evidenced [therein] in the statement[,] up to
28 the nearest number of years and months, but not exceeding 10
29 years¹, provided however, that a member purchasing that
30 maximum credit may purchase up to five additional years for
31 additional military service qualifying the member as a veteran as
32 defined in N.J.S. 18A:66-2¹. No application shall be accepted
33 [after January 1, 1956.] for the purchase of credit for such [prior]
34 service [,however,] if, at the time of application, the member has
35 a vested right to retirement benefits in another retirement
36 system based in whole or in part upon that service.

37 [He] The member may purchase credit for [such] the service by
38 paying into the annuity savings fund the amount required by
39 applying the factor, supplied by the actuary[,] as being applicable

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 Senate RFA committee amendments adopted April 25, 1991.

1 to [his] the member's age at the time of the purchase, to [his] the
2 member's salary at that time, or to the highest annual
3 compensation for service in this State for which contributions
4 were made during any prior fiscal year of membership, whichever
5 is greater. [Such] The purchase may be made in regular
6 installments, equal to at least one-half the full normal
7 contribution to the retirement system, over a maximum period of
8 10 years. Neither the State nor the employer of a member who
9 applies to purchase credit for public employment with the United
10 States Government pursuant to subsection b. of this section or for
11 military service pursuant to subsection c. of this section shall be
12 liable for any payment to the retirement system on behalf of the
13 member for the purchase of this credit.

14 Notwithstanding any provision of this act to the contrary, a
15 member shall not be liable for any costs associated with the
16 financing of pension adjustment benefits and health care benefits
17 for retirees when purchasing credit for school service, public
18 employment in other states or with the United States
19 Government, or military service in the Armed Forces of the
20 United States.

21 Any member electing to [contribute toward such] purchase the
22 service[,] who retires prior to completing payments as agreed
23 with the retirement system [for the purchase of such service] will
24 receive pro rata credit for service purchased prior to the date of
25 retirement, but if [he] the member so elects at the time of
26 retirement, [he] the member may make [such] the additional lump
27 sum payment required at that time [as will be necessary] to
28 provide full credit.

29 (cf: P.L.1987, c.247, s.1)

30 2. Section 2 of P.L.1963, c.19 (C.43:15A-73.1) is amended to
31 read as follows:

32 2. A member may file a detailed statement of public
33 employment in other [States] states or with the United States
34 Government which would be eligible for credit in a
35 State-administered retirement system if the employment was
36 with a public employer in this State, or of military service in the
37 Armed Forces of the United States, rendered [by him] prior to
38 becoming a member, for which [he] the member desires credit
39 [and on account of which he desires to contribute], and of such
40 other facts as the retirement system may require. [He] The
41 member may [be permitted to] purchase credit for all or a portion
42 of the service evidenced [therein] in the statement up to the
43 nearest number of years and months, but not exceeding 10 years¹,
44 provided however, that a member purchasing that maximum
45 credit may purchase up to five additional years for additional
46 military service qualifying the member as a veteran as defined in
47 section 6 of P.L.1954, c.84, (C.43:15A-6)¹. No application shall
48 be accepted for the purchase of credit for [such] the service[,
49 however,] if, at the time of application, the member has a vested

1 right to retirement benefits in another retirement system based
2 in whole or in part upon that service.

3 The member may purchase credit for [such] the service by
4 paying into the annuity savings fund the amount required by
5 applying the factor, supplied by the actuary[,] as being applicable
6 to [his] the member's age at the time of the purchase, to [his] the
7 member's salary at that time, or to the highest annual
8 compensation for service in this State for which contributions
9 were made during any prior fiscal year of membership, whichever
10 is greater. [Such] The purchase may be made in regular
11 installments, equal to at least 1/2 of the full normal contribution
12 to the retirement system, over a maximum period of 10 years.
13 The employer of a member who applies, pursuant to this section,
14 to purchase credit for public employment with the United States
15 Government or for military service in the Armed Forces of the
16 United States shall not be liable for any payment to the
17 retirement system on behalf of the member for the purchase of
18 this credit.

19 Notwithstanding any provision of this act to the contrary, a
20 member shall not be liable for any costs associated with the
21 financing of pension adjustment benefits and health care benefits
22 for retirees when purchasing credit for public employment in
23 other states or with the United States Government or military
24 service in the Armed Forces of the United States.

25 Any member electing to [contribute toward such] purchase the
26 service[,] who retires prior to completing payments as agreed
27 with the retirement system [for the purchase of such service] will
28 receive pro rata credit for service purchased prior to the date of
29 retirement, but if [he] the member so elects at the time of
30 retirement, [he] the member may make [such] the additional lump
31 sum payment required at that time [as will be necessary] to
32 provide full credit.

33 (cf: P.L.1971, c.213, s.42)

34 ¹[3. Section 1 of P.L.1968, c.23 (C.43:3C-1) is amended to
35 read as follows:

36 1. Notwithstanding any other law to the contrary, if a former
37 member of any pension fund or retirement system, contributory
38 or noncontributory, established under any law of this or any other
39 [State] state, or of the United States for employees of the United
40 States Government or members of the armed forces, who has
41 been granted a pension or retirement allowance for any cause
42 other than vesting or deferred retirement, becomes employed
43 again in a position which makes him eligible to be a member of
44 another pension fund or retirement system established under any
45 law of this State, [such] the person shall not be enrolled in [such]
46 the other pension fund or retirement system if [he] the person is
47 eligible to receive [such] the pension or retirement allowance.

48 [If such former member has been enrolled in such other pension
49 fund or retirement system as of the effective date of this act, his

1 membership in such other fund or system shall be hereby
2 terminated and he or his beneficiary shall be permitted to receive
3 a refund of his contributions to such fund or system upon the
4 filing of a proper application therefor.

5 (cf: P.L.1968, c.23, s.1)]¹

6 ¹[4.] 3.1 (New section) A member ¹of the Police and
7 Firemen's Retirement System¹ may file a detailed statement of
8 public employment in other states or with the United States
9 Government which would be eligible for credit in a
10 State-administered retirement system if the employment was
11 with a public employer in this State, or of military service in the
12 Armed Forces of the United States, rendered prior to becoming a
13 member, for which the member desires credit, and of such other
14 facts as the retirement system may require. The member may
15 purchase credit for all or a portion of the service evidenced in
16 the statement up to the nearest number of years and months, but
17 not exceeding 10 years¹, provided however, that a member
18 purchasing that maximum credit may purchase up to five
19 additional years for additional military service qualifying the
20 member as a veteran as defined in section 1 of P.L.1983, c.391
21 (C.43:16A-11.7)¹. No application shall be accepted for the
22 purchase of credit for the service if, at the time of application,
23 the member has a vested right to retirement benefits in another
24 retirement system based in whole or in part upon that service.

25 The member may purchase credit for the service by paying into
26 the annuity savings fund the amount required by applying the
27 factor, supplied by the actuary as being applicable to the
28 member's age at the time of the purchase, to the member's
29 salary at that time, or to the highest annual compensation for
30 service in this State for which contributions were made during
31 any prior fiscal year of membership, whichever is greater. The
32 purchase may be made in regular installments equal to at least
33 1/2 of the full normal contribution to the retirement system, over
34 a maximum period of 10 years. The employer of a member who
35 applies, pursuant to this section, to purchase credit for public
36 employment with the United States Government or for military
37 service in the Armed Forces of the United States shall not be
38 liable for any payment to the retirement system on behalf of the
39 member for the purchase of this credit.

40 Notwithstanding any provision of this act to the contrary, a
41 member shall not be liable for any costs associated with the
42 financing of pension adjustment benefits and health care benefits
43 for retirees when purchasing credit for public employment in
44 other states or with the United States Government or military
45 service in the Armed Forces of the United States.

46 Any member electing to purchase the service who retires prior
47 to completing payments as agreed with the retirement system
48 will receive pro rata credit for service purchased prior to the
49 date of retirement, but if the member so elects at the time of

1 retirement, the member may make the additional lump sum
2 payment required at that time to provide full credit.

3 ¹[5.] 4.¹ Section 1 of P.L.1983, c.198 (C.18A:66-13.1), section
4 1 of P.L.1981, c.451 (C.43:15A-60.1), and ¹[sections 1 and]
5 section¹ 2 of P.L.1983, c.391 (¹[C.43:16A-11.7 and]¹
6 C.43:16A-11.8) are repealed.

7 ¹[6.] 5.¹ This act shall take effect on the first day of the
8 month immediately following the date of enactment.

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PUBLIC EMPLOYEE BENEFITS

12

13 Allows TPAF, PERS and PFRS members to purchase service
14 credit for civilian employment or military service with the
15 United States Government.

1 P.L.1983, c.391 (C.43:16A-11.7 and C.43:16A-11.8) are repealed.

2 6. This act shall take effect on the first day of the month
3 immediately following the date of enactment.

4
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6 STATEMENT
7

8 This bill broadens the categories of out-of-State service for
9 which a member of the Public Employees' Retirement System,
10 the Teachers' Pension and Annuity Fund or the Police and
11 Firemen's Retirement System may purchase pension credit; it
12 also revises the terms of the cost of such purchases.

13 Under current law, a member of any of the three funds may
14 purchase pension credit for up to five years of wartime military
15 service with the Armed Forces of the United States; war veterans
16 enrolled in PFRS may purchase credit in that system for
17 peacetime military service as well. In addition, members of
18 PERS or TPAF may purchase service credit for up to 10 years of
19 public employment in other states; in the case of TPAF members,
20 this right of purchase also extends to teaching service in schools
21 operated by a department of the United States Government for
22 the instruction of the children of federal employees.

23 Under the bill, members of the three systems will be allowed to
24 purchase service credit for all civilian public employment with
25 other states or with the federal government, subject only to the
26 requirement that such employment would be eligible for credit in
27 a State-administered retirement system if the employment had
28 been with a public employer in New Jersey. They will also be
29 allowed to purchase credit for any military service, whether or
30 not rendered during wartime, with the United States Armed
31 Forces. The total amount of all such service eligible to be
32 purchased is not to exceed ten years.

33 The bill also provides new rules to govern the cost of
34 purchasing out-of-State service in the three systems. A current
35 provision protecting the employer of a member purchasing
36 military service from liability for any payment of the cost of the
37 purchase is made applicable to the purchase of federal civilian
38 employment as well. (Current provisions covering purchases of
39 other-state and federal school service which require purchasers
40 to pay only the "employee's share" would not be changed.) The
41 cost of all purchases, currently based upon the member's salary
42 at the time the purchase is made, is to be based on the member's
43 highest annual compensation during any fiscal year of
44 membership. In addition, the bill incorporates into the law a new
45 provision that a member purchasing credit for any of the various
46 kinds of out-of-State service shall not be liable for any costs
47 associated with the financing of pension adjustment benefits and
48 health care benefits for retirees.

49 The bill amends the law prohibiting participation in a

1 State-administered retirement system by persons receiving
2 retirement benefits other than for vesting or deferred retirement
3 from a public retirement system in this or another state by
4 extending the prohibition to persons receiving benefits from a
5 retirement system established under the laws of the United
6 States.

7 Finally, the bill repeals various separate provisions in existing
8 law concerning the purchase of military service; these are
9 incorporated into the expanded general provisions governing
10 out-of-State service purchases.

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PUBLIC EMPLOYEE BENEFITS

14

15 Allows TPAF, PERS and PFRS members to purchase service
16 credit for civilian employment or military service with the
17 United States Government.

ASSEMBLY STATE OPERATIONS AND PERSONNEL
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2835

STATE OF NEW JERSEY

DATED: MARCH 22, 1990

The Assembly State Operations and Personnel Committee reports favorably Assembly, No. 2835.

This bill broadens the categories of out-of-State service for which a member of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Police and Firemen's Retirement System may purchase pension credit; it also revises the terms of the cost of the purchases.

Under current law, a member of any of the three funds may purchase pension credit for up to five years of wartime military service with the Armed Forces of the United States; war veterans enrolled in PFRS may purchase credit in that system for peacetime military service as well. In addition, members of PERS or TPAF may purchase service credit for up to 10 years of public employment in other states; in the case of TPAF members, this right of purchase also extends to teaching service in schools operated by a department of the United States Government for the instruction of the children of federal employees.

Under the bill, members of the three systems will be allowed to purchase service credit for all civilian public employment with other states or with the federal government, subject only to the requirement that such employment would be eligible for credit in a State-administered retirement system if the employment had been with a public employer in New Jersey. They will also be allowed to purchase credit for any military service, whether or not rendered during wartime, with the United States Armed Forces. The total amount of all such service eligible to be purchased is not to exceed 10 years.

The bill also provides new rules to govern the cost of purchasing out-of-State service in the three systems. A current provision protecting the employer of a member purchasing military service from liability for any payment of the cost of the purchase is made applicable to the purchase of federal civilian employment as well. (Current provisions covering purchases of other-state and federal school service which require purchasers to pay only the "employee's share" would not be changed.) The cost of all purchases, currently based upon the member's salary at the time the purchase is made, is to be based on the member's highest annual compensation for service in this State during any fiscal year of membership. In addition, the bill incorporates into the law a new provision that a

member purchasing credit for any of the various kinds of out-of-State service shall not be liable for any costs associated with the financing of pension adjustment benefits and health care benefits for retirees.

The bill amends the law prohibiting participation in a State-administered retirement system by persons receiving retirement benefits other than for vesting or deferred retirement from a public retirement system in this or another state by extending the prohibition to persons receiving benefits from a retirement system established under the laws of the United States.

Finally, the bill repeals various separate provisions in existing law concerning the purchase of military service; these are incorporated into the expanded general provisions governing out-of-State service purchases.

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.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2835

with Senate committee amendments

STATE OF NEW JERSEY

DATED: APRIL 25, 1991

The Senate Revenue, Finance and Appropriations Committee reports favorably Assembly Bill No. 2835, with committee amendments.

Assembly Bill No. 2835, with Senate committee amendments, establishes uniform out-of-State service credit purchase policies in the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF) and the Police and Firemen's Retirement System (PFRS). At present, PERS and TPAF members can purchase certain types of out-of-State service credit while PFRS members cannot. Under the bill, members of the three systems will be allowed to purchase service credit for public employment in other states. The bill also expands the scope of out-of-State service credit which can be purchased by allowing members of the three systems to purchase service credit for public employment with the United States Government or for military service in the Armed Forces of the United States, whether or not the military service was rendered during wartime. At present, credit for public employment with the federal government cannot be purchased. While credit for active military service can be purchased, it is limited to a maximum of five years and is generally restricted to service during periods of war or national emergency. Under the provisions of this bill, a member may purchase up to a total of 10 years of out-of-State service plus an additional five years of war service.

The bill provides that the employer of a member who applies to purchase credit for employment with the United States Government or for military service in the Armed Forces of the United States shall not be liable for any payment to the retirement system on behalf of the member for the purchase of this credit. It also provides that the cost of the purchase shall be based upon the member's salary at the time of purchase or the highest annual compensation during any prior fiscal year of membership, whichever is greater. A member shall not be liable for any costs associated with the financing of pension adjustment benefits and health care benefits for retirees when purchasing out-of-State service.

The bill repeals various provisions in existing law concerning the purchase of military service.

As amended, this bill is identical to Senate Bill, No. 1156, with Senate committee amendments.

COMMITTEE AMENDMENTS

The committee amendments preserve the possibility for veterans with war time service to purchase up to five years of that service in addition to other service that they may be entitled to purchase. In addition, the amendments eliminate a provision of the bill that would have extended the prohibition against participation in a State-administered retirement system by persons receiving retirement benefits from a public retirement system in this or another state by prohibiting participation in a State-administered retirement system by persons receiving benefits from a Federal retirement system.

FISCAL IMPACT

This bill has no immediate fiscal impact for the State or local governments. A member of one of the pension systems who elects to purchase service time will pay an actuarially determined amount into the pension system. The State or local employer will not pay any part of the cost of the purchase.

However, 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.

In addition, to the extent that retirement benefits are enhanced the liability of the retirement system for the Pension Adjustment Program will increase. Also, the liability of the retirement system will increase if additional retirees qualify for State-paid medical benefits upon retirement.

Although the bill protects the employer of a member purchasing out-of-State service from liability for any (lump sum) payment of the cost of the purchase, the employers' annual normal cost contribution, as calculated by the actuary, to fund the pension system will increase as these costs (Pension Adjustment Program and employer-paid medical benefits for retirees) will become part of the liability of the retirement system and will eventually be paid by all employers as part of their normal contributions.

SENATE STATE GOVERNMENT AND FEDERAL
AND INTERSTATE RELATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2835

STATE OF NEW JERSEY

DATED: APRIL 26, 1990

The Senate State Government and Federal and Interstate Relations Committee reports favorably Assembly Bill No. 2835.

This bill establishes uniform out-of-State service credit purchase policies in the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF) and the Police and Firemen's Retirement System (PFRS). At present, PERS and TPAF members can purchase certain types of out-of-State service credit while PFRS members cannot. Under the bill, members of the three systems will be allowed to purchase service credit for public employment in other states. The bill also expands the scope of out-of-State service credit which can be purchased by allowing members of the three systems to purchase service credit for public employment with the United States Government or for military service in the Armed Forces of the United States, whether or not the military service was rendered during wartime. At present, credit for public employment with the federal government cannot be purchased. While credit for active military service can be purchased, it is limited to a maximum of five years and is generally restricted to service during periods of war or national emergency. Under the provisions of this bill, a member may purchase up to a total of 10 years of out-of-State service.

The bill provides that the employer of a member who applies to purchase credit for employment with the United States Government or for military service in the Armed Forces of the United States shall not be liable for any payment to the retirement system on behalf of the member for the purchase of this credit. It also provides that the cost of the purchase shall be based upon the member's salary at the time of purchase or the highest annual compensation during any prior fiscal year of membership, whichever is greater. A member shall not be liable for any costs associated with the financing of pension adjustment benefits and health care benefits for retirees when purchasing out-of-State service.

The bill extends the prohibition against participation in a State-administered retirement system by persons receiving retirement benefits from a public retirement system in this or another state by prohibiting participation in a State-administered retirement system by persons receiving benefits from a retirement system established under the laws of the United States. (This prohibition would not apply to persons who are granted a pension or retirement allowance because of vesting or deferred retirement.) It also repeals various provisions in existing law concerning the purchase of military service.

FISCAL NOTE TO
ASSEMBLY, No. 2835

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STATE OF NEW JERSEY

DATED: May 24, 1990

Assembly Bill No. 2835 of 1990 establishes uniform out-of-State service credit that can be purchased by members of the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). Under current law, a member of any of these funds may purchase pension credit for up to five years of wartime military service with the Armed Forces of the United States; war veterans enrolled in PFRS may purchase credit in that system for peacetime service as well. In addition, members of PERS and TPAF may purchase service credit for up to 10 years of public employment in other states; in the case of TPAF members, this right of purchase also extends to teaching service in schools operated by a department of the United States Government for the instruction of the children of federal employees.

Under the bill, members of the three systems will be allowed to purchase service credit for all civilian public employment with other states or with the federal government, subject only to the requirement that such employment would be eligible for credit in a State-administered retirement system if the employment had been with a public employer in New Jersey. They will also be allowed to purchase credit for any military service, regardless of whether it was wartime service or not. The total amount of all such service eligible for purchase cannot exceed 10 years.

The bill also provides new rules to govern the cost of purchasing out-of-State service in the three systems. The bill provides that the employer of a member who applies to purchase credit for employment with the United States Government shall not be liable for payment to the retirement system on behalf of the member for "regular" retirement benefits. However, the employers are liable for any costs associated with the financing of pension adjustment benefits or health care benefits for retirees when employees purchase credit for prior service. The current provisions covering the cost of the purchase of other-state and federal school service which require the purchaser to pay only the "employee's share" are not changed. 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 compensation, whichever is higher.

The Division of Pensions states that due to the elective nature of this legislation it cannot provide an estimate of the cost. The division also notes that even though the member is required to pay for the entire cost of the purchase of prior service, 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.

The division further states that to the extent that retirement benefits are enhanced the liability of the retirement system for the Pension Adjustment Program will increase. In addition, the liability of the retirement system will increase if additional retirees qualify for State-paid medical benefits upon retirement (based on 25 or more years of service).

The Office of Legislative Service concurs and notes that although the bill protects the employer of a member purchasing out-of-State service from liability for any (lump sum) payment of the cost of the purchase, the employers' annual normal cost contribution, as calculated by the actuary, to fund the pension system will increase as these costs (Pension Adjustment Program and employer-paid medical benefits for retirees) will become part of the liability of the retirement system and will eventually be paid by all employers as part of their normal contributions.

This fiscal note has been prepared pursuant to P.L.1980, c.67.