

52:14-17.32 f2

LEGISLATIVE HISTORY CHECKLIST  
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(Boards of Education--pensions)

NJSA: 52:14-17.32f2

LAWS OF: 1995 CHAPTER: 357

BILL NO: A1407

SPONSOR(S): DeGaetano and Kelly

DATE INTRODUCED: February 28, 1994

COMMITTEE: ASSEMBLY: Appropriations; State Government

SENATE: Budget

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: November 30, 1995

SENATE: December 18, 1995

DATE OF APPROVAL: January 5, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

5-2-94

COMMITTEE STATEMENT: ASSEMBLY: Yes 2-23-95 & ~~5-2-95~~

SENATE: Yes

FISCAL NOTE: ~~No~~ Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See attached:  
N.J. Pension & Health Benefit Review Commission -- recommendation

KBP:pp

P.L.1995, CHAPTER 357, *approved January 5, 1996*  
1994 Assembly No. 1407

1 **AN ACT** concerning paid health benefits for certain retired board  
2 of education employees and supplementing P.L.1961, c.49  
3 (C.52:14-17.25 et seq.).  
4

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

7 1. The provisions of section 3 of P.L.1987, c.384  
8 (C.52:14-17.32f) shall apply to any employee of a board of  
9 education who is a member of a pension fund created prior to the  
10 effective date of this act under the provisions of article 2 of  
11 chapter 66 of Title 18A of the New Jersey Statutes  
12 (N.J.S.18A:66-94 et seq.) and who retires on a benefit based upon  
13 25 or more years of service credit in the pension fund, or retires  
14 on a disability pension based upon fewer years of service credit in  
15 that pension fund, or elected deferred retirement based upon 25  
16 or more years of service credit and receives a retirement  
17 allowance from that pension fund, except that the costs of the  
18 premium or periodic charges for the benefits and reimbursement  
19 of medicare premiums provided to a retiree and the dependents  
20 of the retiree under this section shall be paid by the State.

21 An employee who retired prior to the effective date of this act  
22 is eligible for the coverage if the employee applies to the  
23 program for it within one year after the effective date.

24 2. This act shall take effect immediately.  
25  
26

27 **STATEMENT**  
28

29 Under the provisions of P.L.1987, c.384, as revised by P.L.1992,  
30 c.126, members of the Teachers' Pension and Annuity Fund  
31 (TPAF), employees of boards of education enrolled in the Public  
32 Employees' Retirement System (PERS), and county college  
33 employees covered by PERS or the alternate benefit program are  
34 entitled to paid health benefits after retirement if they retire on  
35 a benefit based on 25 or more years of service credit or on a  
36 disability pension based on fewer years of service credit, or if  
37 they elect deferred retirement based on 25 or more years of  
38 service credit in TPAF or PERS and are receiving a retirement  
39 allowance.

40 This bill provides the same benefit to an employee of a board  
41 of education who retires, with similar qualifications, from a  
42 pension fund previously established in a first class county under  
43 article 2 of chapter 66 of Title 18A of the New Jersey Statutes.  
44 Those qualified employees who are already retired may apply,  
45 within one year of the effective date, for the benefit.

1     **The bill provides that the costs will be paid by the State rather**  
2     **than by the employer.**

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7     **Provides paid health benefits for certain retired employees of**  
8     **boards of education in certain first class counties.**

ASSEMBLY, No. 1407  
STATE OF NEW JERSEY

INTRODUCED FEBRUARY 28, 1994

By Assemblymen DiGAETANO and KELLY

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2 of education employees and supplementing P.L.1961, c.49  
3 (C.52:14-17.25 et seq.).  
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6 *State of New Jersey:*

7 1. The provisions of section 3 of P.L.1987, c.384  
8 (C.52:14-17.32f) shall apply to any employee of a board of  
9 education who is a member of a pension fund created prior to the  
10 effective date of this act under the provisions of article 2 of  
11 chapter 66 of Title 18A of the New Jersey Statutes  
12 (N.J.S.18A:66-94 et seq.) and who retires on a benefit based upon  
13 25 or more years of service credit in the pension fund, or retires  
14 on a disability pension based upon fewer years of service credit in  
15 that pension fund, or elected deferred retirement based upon 25  
16 or more years of service credit and receives a retirement  
17 allowance from that pension fund, except that the costs of the  
18 premium or periodic charges for the benefits and reimbursement  
19 of medicare premiums provided to a retiree and the dependents  
20 of the retiree under this section shall be paid by the State.

21 An employee who retired prior to the effective date of this act  
22 is eligible for the coverage if the employee applies to the  
23 program for it within one year after the effective date.

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27 STATEMENT  
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29 Under the provisions of P.L.1987, c.384, as revised by P.L.1992,  
30 c.126, members of the Teachers' Pension and Annuity Fund  
31 (TPAF), employees of boards of education enrolled in the Public  
32 Employees' Retirement System (PERS), and county college  
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34 entitled to paid health benefits after retirement if they retire on  
35 a benefit based on 25 or more years of service credit or on a  
36 disability pension based on fewer years of service credit, or if  
37 they elect deferred retirement based on 25 or more years of  
38 service credit in TPAF or PERS and are receiving a retirement  
39 allowance.

40 This bill provides the same benefit to an employee of a board  
41 of education who retires, with similar qualifications, from a  
42 pension fund previously established in a first class county under  
43 article 2 of chapter 66 of Title 18A of the New Jersey Statutes.  
44 Those qualified employees who are already retired may apply,  
45 within one year of the effective date, for the benefit.

1 • The bill provides that the costs will be paid by the State rather  
2 than by the employer.

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7 Provides paid health benefits for certain retired employees of  
8 boards of education in certain first class counties.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1407

STATE OF NEW JERSEY

DATED: FEBRUARY 23, 1995

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1407.

Assembly No. 1407 extends coverage for paid post-retirement health benefits under the New Jersey State Health Benefits Program (SHBP) to certain board of education employees who retire from a pension fund previously established in a first class county under article 2 of chapter 66 of Title 18A of the New Jersey Statutes. To qualify for the paid coverage, the employee would have to (1) retire on a benefit based on 25 or more years of service credit, or (2) retire on a disability pension based on fewer years of service credit, or (3) have elected deferred retirement based on 25 or more years of service credit in the pension fund and be receiving that retirement allowance.

Those qualified employees who have already retired from the pension fund are to be eligible to receive the paid coverage if they apply therefor within one year of the date on which the bill takes effect as law. The bill provides that the costs will be paid by the State, rather than by the pension fund or the employer.

FISCAL IMPACT:

In the legislative fiscal estimate, the Office of Legislative Services (OLS) noted that the only pension system affected by this legislation is the Board of Education Employees' Pension Fund of Essex County. This system is closed to new members and all new employees must enroll in Public Employees' Retirement System (PERS). Employees that elected to transfer to PERS when the system was closed and the new employees that enroll in PERS now are entitled to State paid health benefits if they retire with 25 or more years of service or on a disability pension, or with deferred retirement based on 25 or more years of service. As of 1993, the system had 936 retirees collecting pensions and 849 active members.

If the additional cost of the present value liability, for those already eligible and retired and those with 25 or more years and still active, was paid over a average 13 year pay-out, the annual cost to the State would be approximately \$662,000. This will increase as additional active members become eligible to retire.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1407

STATE OF NEW JERSEY

DATED: MAY 2, 1994

The Assembly State Government Committee reports favorably Assembly, No. 1407.

This bill extends coverage for paid post-retirement health benefits under the New Jersey State Health Benefits Program (SHBP) to certain board of education employees who retire from a pension fund previously established in a first class county under article 2 of chapter 66 of Title 18A of the New Jersey Statutes. To qualify for the paid coverage, the employee would have to (1) retire on a benefit based on 25 or more years of service credit, or (2) retire on a disability pension based on fewer years of service credit, or (3) have elected deferred retirement based on 25 or more years of service credit in the pension fund and be receiving that retirement allowance.

Those qualified employees who have already retired from the pension fund are to be eligible to receive the paid coverage if they apply therefor within one year of the date on which the bill takes effect as law.

The bill provides that the costs will be paid by the State, rather than by the pension fund or the employer.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1407

STATE OF NEW JERSEY

DATED: DECEMBER 18, 1995

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1407 of 1995.

Assembly Bill No. 1407 provides post-retirement medical benefits to certain employees of a board of education who retire from a pension fund previously established in a first class county under article 2 of chapter 66 of Title 18A of the New Jersey Statutes (namely, the Board of Education Employees' Pension Fund of Essex County). The bill would apply to persons who retire with 25 or more years of service credit, or who retire on a disability pension, or who elect deferred retirement based upon 25 or more years of service and receive a retirement allowance from the pension fund. In addition, the bill permits qualified employees who are already retired to apply for this benefit within one year after enactment of this bill.

The bill provides that the cost shall be paid by the State.

Under the provisions of P.L.1987, c.384, as revised by P.L.1992, c.126, members of the Teachers' Pension and Annuity Fund (TPAF), employees of boards of education enrolled in the Public Employees' Retirement System (PERS), and county college employees covered by PERS or the alternate benefit program are entitled to paid health benefits after retirement if they retire on a benefit based on 25 or more years of service credit, or on a disability pension based on fewer years of service credit, or if they elect deferred retirement based on 25 or more years of service credit in TPAF or PERS and receive a retirement allowance.

This bill provides the same benefit to an employee of a board of education who retires, with similar qualifications, from a pension fund previously established in a first class county under article 2 of chapter 66 of Title 18A of the New Jersey Statutes.

As reported, this bill is identical to Senate Bill No. 983 of 1995 (Codey).

FISCAL IMPACT

In a legislative fiscal estimate prepared by the Office of Legislative Services, the OLS notes that the Board of Education Employees' Pension Fund of Essex County is closed to new members. As of the June 30, 1993, valuation of the retirement system, there were 936 retirees collecting pensions and 849 active members: 160 retirees and 56 active members would be eligible for the additional benefit granted by this bill.

The OLS estimates that, if the additional liability is paid over a 13 year period, the cost to the State would be \$662,000 per year (for 13 years) for the 56 active members and the 160 retirees already eligible. This annual cost would increase as additional members of the retirement system attain 25 years of service and retire. If about one-half of the remaining active members, or 470, eventually qualify, the cost would increase to \$3.1 million per year (for 13 years).



LEGISLATIVE FISCAL ESTIMATE TO  
**ASSEMBLY, No. 1407**

**STATE OF NEW JERSEY**

DATED: December 7, 1994

Assembly Bill No. 1407 of 1994 provides post-retirement medical benefits to employees of a board of education who retire with 25 or more years of service from a pension fund previously established in a first class county under article 2 of chapter 66 of Title 18A of the New Jersey Statutes. In addition, the bill permits qualified employees who are already retired to apply for this benefit within one year of the effective date of this act. The bill provides that the cost shall be paid by the State.

The Office of Legislative Services (OLS) notes that the only pension system affected by this legislation is the Board of Education Employees' Pension Fund of Essex County. This pension system is closed to new members and all new employees are enrolled in the Public Employees' Retirement System (PERS). The OLS notes that the employees who elected to transfer from this retirement system into PERS when the system was closed and all new employees enrolled in PERS since the system was closed are entitled to (State) paid health benefits after retirement if they retire on a benefit based on 25 or more years of service or on a disability pension or if they elected deferred retirement based on 25 or more years of service and are receiving a retirement allowance.

The OLS notes that, as of the June 30, 1993 valuation of the retirement system, there are 936 retirees collecting pensions and 849 active members. Of the 849 remaining active members, 56 have 25 or more years of service credit and 325 have between 20 and 24 years of service credit. The average age of the active members is 55.4 years old and the average length of service is 19.0. Under current law, service retirement (for members enrolled prior to June 27, 1962) is at age 60 or after 30 years of service on a benefit of 1/60th of final average salary times the number of years of service. Service retirement for members enrolled on or after June 27, 1962 is at age 60 on a benefit of 1/60th of final average salary times the number of years of service.

The OLS notes that the FY 1994 cost of husband and wife coverage in the State Health Benefits Program (SHBP) is approximately \$5,900. Because this is a lifetime benefit and medical costs have increased in recent years by approximately 6% per year, the lifetime cost for a member retiring at age 60 would be approximately \$143,000. The present value, or cost in FY 1995 dollars, of this liability is approximately \$75,000 per member. The OLS estimates the present value liability for the 56 active members currently eligible at \$4.2 million. Based on information contained in the valuation of the retirement system, the OLS estimates that 470, or just over one-half, of the 849 remaining active members could eventually qualify. The present value liability, or cost to the State, if 470 members qualify is \$35.3 million.

The OLS notes that there are currently 160 retirees who retired with 25 or more years of service credit and so would also qualify for this benefit. The present value, or cost in FY 1995 dollars, of this liability is approximately \$27,300 per retiree. The OLS estimates the present value liability for the 160 retirees currently eligible at \$4.4 million.

The OLS estimates that if the additional liability were paid in a manner similar to how the

normal cost of PERS is funded (over 13 years), the cost to the State would be \$662,000 per year (for 13 years) for the 56 active members and the 160 retirees already eligible. This annual cost would increase as additional members attain 25 years of service and retire. If about one-half of the remaining active members, or 470, eventually qualify, the cost would increase to \$3.1 million per year (for 13 years).

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.

*Pension and Health Benefits Review Commission*

**S-726/ A-1670** Provides for pension payment in CPFPF in month of retiree's death.

The Commission recommends that the Legislature enact S-726/ A-1670. (Motion approved, 6-0)

**S-526/ A-1745** Modifies definition of veteran in various systems.

The Commission recommends that the Legislature enact S-526/ A-1745. (Motion approved 6-0)

**S-983/ A-1407** Provides paid health benefits for certain retirees of the Essex County Board of Education Pension Fund.

The Commission recommends that the Legislature enact S-983/ A-1407. (Motion approved, 6-0)

**S-851** Excludes certain amount of compensation in calculating pension.

The Commission recommends that the Legislature not enact S-851. (Motion approved, 6-0)

**A-1498/ S-642** Makes changes regarding transfer of service credit among pensions systems.

The Commission recommends that the Legislature enact A-1498/ S-642 with an amendment to delete the provision permitting the transfer of concurrent service from one retirement system to another. (Motion approved, 6-0)

**S-409** Permits certain members of TPAF to purchase credit for ABP service.

The Commission recommends that the Legislature not enact S-409 because its effect is accomplished in A-1498/ s-642, which has been approved by the Commission. (Motion approved, 6-0)