

SENATE, No. 380

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1968

By Senators WHITE, McDERMOTT, HIERING, SEARS,
HAUSER and DUMONT

Referred to Committee on Education

AN ACT to amend an act entitled "An act to provide an alternate program of benefits for certain members of the faculty of the State colleges, in lieu of benefits now provided," approved January 12, 1968 (P. L. 1967, c. 281).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 1 of the act of which this act is amendatory is amended
2 to read as follows:

3 1. (a) Notwithstanding the provisions of any other law, within
4 180 days after the effective date of this act, the Board of Higher
5 Education shall provide an alternate program of benefits for certain
6 employees *of the State colleges* in lieu of benefits under the
7 Teachers' Pension and Annuity Fund, which program shall be
8 known as the alternate benefit program and which shall provide
9 for individual retirement annuity contracts, both fixed and variable
10 in nature, to become the property of the participants in said pro-
11 gram individually; and group contracts providing life insurance
12 which, notwithstanding any other provision of law, shall be in an
13 amount equal to 1½ times the base annual salary of said participant
14 in the event of death prior to retirement; and which may provide
15 insurance coverage after retirement in an amount not to exceed
16 ⅓ of the participant's base annual salary at the time of retire-
17 ment; and disability benefits for all such participants. The Board
18 of Higher Education shall perform or provide for performance of
19 all things necessary to prepare and operate said program.

20 (b) The Board of Higher Education may also provide for ad-
21 ditional death benefit coverage in accordance with rules and regula-
22 tions as adopted by the Board of Higher Education from time to
23 time on the basis of factors deemed appropriate by it. A member
24 of the alternate benefit program will be eligible to purchase the

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

25 additional death benefit coverage provided that he or she selects
26 such coverage within 1 year after the effective date of membership.
27 A schedule of employee contributions shall be established by the
28 Board of Higher Education on a basis it deems appropriate which
29 schedule shall be subject to adjustment from time to time for pur-
30 pose of meeting the entire cost of the additional death benefit
31 coverage.

32 (c) Any other provisions of this act notwithstanding the con-
33 tributions of a member for the additional death benefit coverage
34 under this section shall not be returnable to the member or his
35 beneficiary in any manner, or for any reason whatsoever, nor shall
36 any contributions made for the additional death benefit coverage
37 be included in any annuity payable to any such member or to his
38 beneficiary.

1 2. Section 2 of the act of which this act is amendatory is amended
2 to read as follows:

3 2. **[All]** *Any* full-time faculty **[members]** *member of a State*
4 *college*, except those persons in ineligible categories designated in
5 the regulations of the Board of Higher Education which regula-
6 tions shall be of uniform application, **[shall]** *may* participate in
7 the alternate benefit program, provided that no person who was in
8 employment with a State college on the effective date of this act
9 and who was then a member of the Teachers' Pension and Annuity
10 Fund shall participate in the alternate benefit program unless he
11 shall so elect by filing an application with the Teachers' Pension
12 and Annuity Fund within 90 days following the establishment of
13 the alternate benefit program by the Board of Higher Education
14 declaring his election to participate in the alternate benefit pro-
15 gram; *and provided further that no person who is employed sub-*
16 *sequent to the effective date of this act in a State college, who at*
17 *the time of such employment is a member of the Teachers' Pension*
18 *and Annuity Fund or the Public Employees' Retirement System*
19 *shall participate in the alternate benefit program unless he shall*
20 *so elect by filing an application with the Teachers' Pension and*
21 *Annuity Fund or the Public Employees' Retirement System within*
22 *90 days following the date he commences services in the State*
23 *college declaring his election to participate in the alternate benefit*
24 *program.*

25 Upon such election, the Teachers' Pension and Annuity Fund *or*
26 *the Public Employees' Retirement System* shall cause prompt
27 notice of said election to be given to the Board of Higher Education
28 and shall transfer to the individual's account in the alternate
29 benefit program, the amount of accumulated deductions standing

30 to his credit, *including regular interest*, in the Annuity Savings
31 Fund of the Teachers' Pension and Annuity Fund *or the Public*
32 *Employees' Retirement System* as of date of transfer.

1 3. Section 3 of the act of which this act is amendatory is amended
2 to read as follows:

3 3. There shall also be transferred from the Contingent Reserve
4 Fund or the pension fund of the Teachers' Pension and Annuity
5 Fund *or the Public Employees' Retirement System* to the individ-
6 ual's account in the alternate benefit program, the pension reserve
7 required as of the date of his transfer to provide a pension for
8 each year of service credited to the account of the member as set
9 forth in section [36] 18A:66-36 or section [44 of chapter 37, of
10 the laws of 1955] 18A:66-44 of the *New Jersey Statutes* or section
11 38 or section 48 of chapter 84 of the laws of 1954 as amended and
12 supplemented as of the effective date of this act. Such transfer
13 from the Contingent Reserve Fund or the pension fund of the
14 Teachers' Pension and Annuity Fund *or the Public Employees'*
15 *Retirement System* shall be made at the time of the member's
16 transfer to the alternate benefit program in the case of any such
17 member who has then met the eligibility requirements for a pension
18 under the aforementioned section [36] 18A:66-36 or section [44
19 of chapter 37, public laws of 1955] 18A:66-44 of the *New Jersey*
20 *Statutes* or section 38 or section 48 of chapter 84, public laws of
21 1954. In the case of any member who elects to participate in the
22 alternate benefit program who has not then met the eligibility re-
23 quirements for a pension under section [36] 18A:66-36 or section
24 [44 of chapter 37, public laws of 1955] 18A:66-44 of the *New Jersey*
25 *Statutes* or section 38 or section 48 of chapter 84, public laws of
26 1954, the transfer from the Contingent Reserve Fund or the pension
27 fund of the Teachers' Pension and Annuity Fund *or the Public*
28 *Employees' Retirement System* shall be effected at the time such
29 requirements have been met, taking into account for the purpose
30 of such eligibility requirement his years of membership service at
31 the time of his election and his subsequent years of service as a
32 full-time member of the faculty of a State college, or at the time
33 he shall have 10 years of credit for New Jersey service and become
34 physically incapacitated for the performance of duty if he had
35 been a member of the Teachers' Pension and Annuity Fund *or the*
36 *Public Employees' Retirement System* as of the date of transfer.

37 The annuity to be used in determining the amount of pension is
38 the actuarial equivalent of the member's accumulated deductions
39 transferred from the Teachers' Pension and Annuity Fund *or the*
40 *Public Employees' Retirement System* to the date the member

41 attains 60 years of age, if subsequent to the date of election. The
 42 amount of pension is that established by formula within section
 43 [44 of chapter 37, P. L. 1955] 18A:66-44 of the *New Jersey Stat-*
 44 *utes or section 48 of chapter 84, P. L. 1954* as amended and supple-
 45 mented as of the effective date of this act and changes to section
 46 [44] 18A:66-44 of the *New Jersey Statutes or to section 48 of*
 47 *chapter 84, P. L. 1954* enacted subsequent to this act shall have no
 48 application to the provisions of this act.

49 In the event that the eligibility requirement under section [36 of
 50 chapter 37, P. L. 1955] 18A:66-36 of the *New Jersey Statutes or sec-*
 51 *tion 38 of chapter 84, P. L. 1954* is changed at some future date to
 52 permit members to become eligible for such benefit prior to the com-
 53 pletion of 15 years of service, the transfer of the reserve from the
 54 Contingent Reserve Fund or the pension fund of the Teachers' Pen-
 55 sion and Annuity Fund or the *Public Employees' Retirement Sys-*
 56 *tem* shall be effected as of the date the member who had elected the
 57 alternate benefits program meets the amended eligibility require-
 58 ment or the effective date of the amendment, if later.

59 In the event an option is available with respect to the distribution
 60 of employee and employer contributions between fixed and variable
 61 annuities under the alternate benefit program, the employee shall
 62 have the right to determine the percentage distribution of these
 63 funds subject to any limitations imposed by the designated insurer
 64 or insurers.

1 4. Section 4 of the act of which this act is amendatory is amended
 2 to read as follows:

3 4. Any person participating in the alternate benefit program
 4 shall be ineligible for membership in the Teachers' Pension and
 5 Annuity Fund or the *Public Employees' Retirement System by*
 6 *reason of employment in a State college* and any person electing
 7 to participate in the alternate benefit program shall thereby waive
 8 all rights and benefits provided by the Teachers' Pension and
 9 Annuity Fund or the *Public Employees' Retirement System* as a
 10 member of said fund or system by reason of said employment
 11 except as herein and otherwise provided by law.

12 Any person receiving a benefit by reason of his retirement from
 13 any retirement or pension system of the State of New Jersey or
 14 any political subdivision thereof shall be ineligible to participate
 15 in the alternate benefit program.

1 5. Section 9 of the act of which this act is amendatory is amended
 2 to read as follows:

3 9. The [term] terms "accumulated deductions", "pension re-
 4 serves" and "regular interest" as used herein [is] are as defined

5 in section [2 of chapter 37, P. L. 1955,] 18A:66-2 of the New Jersey
6 Statutes or in section 6 of chapter 84, P. L. 1954 as amended and
7 supplemented, whichever section is applicable to the employee.

8 [The term "pension reserve" as used herein is as defined in
9 section 2 of chapter 37, P. L. 1955, as amended and supplemented.]

10 The term "Board of Higher Education" refers to the board
11 established pursuant to section [2 of chapter 302, P. L. 1966]
12 18A:3-6 of the New Jersey Statutes.

13 The term "State colleges" refers to the colleges so designated
14 by the Board of Higher Education.

15 "Full-time" faculty shall be as defined by the Board of Higher
16 Education by regulation of uniform application, and shall also
17 include the presidents of the colleges.

1 6. This act shall take effect immediately.

STATEMENT

Legislation (P. L. 1967, C. 281) to provide a private pension program for faculty members at the State colleges was passed by the Legislature and became law on January 12, 1968. Under that legislation, faculty members will have a choice of either remaining in the State fund or joining a private insurance program. The advantage of the private program is immediate vesting and making it easier for our public institutions of higher education to employ new faculty members from throughout the country, since many of them have the private insurance program known as TIAA. Membership in TIAA provides for a portable pension program, which is an advantage to the individual.

While the present law gives the option between the 2 pension funds to current faculty members, it requires all faculty members employed in the future at the State colleges to go under the TIAA insurance program. This will severely restrict the recruitment of faculty members from our public school system since they would either have to lose their credit in the TP & AF or vest it in the event they have 15 years or more service credit. Even with vesting the persons concerned would lose pension benefits since the vesting would generally be on a much lower salary than the final retirement salary base would be.

This bill provides to faculty members being employed at the State colleges in the future the same option on pension funds as is made available to the present faculty members.

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 380

STATE OF NEW JERSEY

ADOPTED APRIL 8, 1968

AN ACT to amend "An act to provide an alternate program of benefits for certain members of the faculty of the State colleges, in lieu of benefits now provided," approved January 12, 1968 (P. L. 1967, c. 281).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 4 of the act of which this act is amendatory is amended
2 to read as follows:

3 4. (a.) Any person participating in the alternate benefit program
4 shall be ineligible for membership in the Teachers' Pension and
5 Annuity Fund and any person electing to participate in the
6 alternate benefit program shall thereby waive all rights and benefits
7 provided by the Teachers' Pension and Annuity Fund as a member
8 of said fund except as herein and otherwise provided by law.

9 (b.) *Any person required to participate in the alternate benefit*
10 *program by reason of employment in a State college, who at the*
11 *time of such employment is a member of the Teachers' Pension and*
12 *Annuity Fund, shall be permitted to transfer his membership in*
13 *said fund to the Public Employees' Retirement System, by waiving*
14 *all rights and benefits which would otherwise be provided by the*
15 *alternate benefit program. Any such new employee who is a*
16 *member of the Public Employees' Retirement System will likewise*
17 *be permitted to continue his membership in that system, by waiving*
18 *all rights and benefits which would otherwise be provided by the*
19 *alternate benefit program. Such waivers shall be accomplished*
20 *by filing forms satisfactory to the Board of Higher Education*
21 *within 30 days of the beginning date of employment in a State*
22 *college.*

23 (c.) Any person receiving a benefit by reason of his retirement
24 from any retirement or pension system of the State of New Jersey
25 or any political subdivision thereof shall be ineligible to participate
26 in the alternate benefit program.

1 2. This act shall take effect immediately.