

# 53:5A-6.1

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2013                      **CHAPTER:** 87

**NJSA:** 53:5A-6.1 (Allows SPRS members to purchase SPRS credit for prior military service)

**BILL NO:** S1122 (Substituted for A3967)

**SPONSOR(S)** Beck and others

**DATE INTRODUCED:** January 23, 2012

**COMMITTEE:**                      **ASSEMBLY:** Military and Veterans' Affairs  
Appropriations

**SENATE:** State Government, Wagering, Tourism & Historic Preservation  
Budget and Appropriations

**AMENDED DURING PASSAGE:** Yes

**DATE OF PASSAGE:**                      **ASSEMBLY:** June 20, 2013

**SENATE:** December 20, 2012

**DATE OF APPROVAL:** August 7, 2013

### FOLLOWING ARE ATTACHED IF AVAILABLE:

#### FINAL TEXT OF BILL (First reprint enacted)

#### S1122

**SPONSOR'S STATEMENT:** (Begins on page 8 of introduced bill) Yes

**COMMITTEE STATEMENT:**    **ASSEMBLY:** Yes      Military  
Appropriations

**SENATE:** Yes      State Gov't  
Budget

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, **may possibly** be found at [www.njleg.state.nj.us](http://www.njleg.state.nj.us))

**FLOOR AMENDMENT STATEMENT:** Yes

**LEGISLATIVE FISCAL NOTE:** Yes

#### A3967

**SPONSOR'S STATEMENT:** (Begins on page 8 of introduced bill) Yes

**COMMITTEE STATEMENT:**    **ASSEMBLY:** Yes      Military  
Appropriations

**SENATE:** No

(continued)

<b>FLOOR AMENDMENT STATEMENT:</b>	No
<b>LEGISLATIVE FISCAL NOTE:</b>	Yes
<b>VETO MESSAGE:</b>	No
<b>GOVERNOR'S PRESS RELEASE ON SIGNING:</b>	No

**FOLLOWING WERE PRINTED:**

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<b>REPORTS:</b>	No
<b>HEARINGS:</b>	No
<b>NEWSPAPER ARTICLES:</b>	No
<b>OTHER:</b>	Yes

Pension and Health Benefits Review Commission, Vote Results, April 20, 2012 (see attached)

LAW/KR

P.L.2013, CHAPTER 87, *approved August 7, 2013*  
Senate, No. 1122 (*First Reprint*)

1 AN ACT concerning the purchase of service credit by members of  
2 the State Police Retirement System for military service in the  
3 United States Armed Forces and amending and supplementing  
4 P.L.1965, c.89 (C.53:5A-1 et seq.).  
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:  
8

9 1. Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended to read  
10 as follows:

11 3. As used in this act:

12 a. "Aggregate contributions" means the sum of all the amounts,  
13 deducted from the salary of a member or contributed by him or on  
14 his behalf, standing to the credit of his individual account in the  
15 Annuity Savings Fund. Interest credited on contributions to the  
16 former "State Police Retirement and Benevolent Fund" shall be  
17 included in a member's aggregate contributions.

18 b. "Annuity" means payments for life derived from the  
19 aggregate contributions of a member.

20 c. "Annuity reserve" means the present value of all payments  
21 to be made on account of any annuity or benefit in lieu of an  
22 annuity, computed upon the basis of such mortality tables  
23 recommended by the actuary as the board of trustees adopts and  
24 regular interest.

25 d. "Beneficiary" means any person entitled to receive any  
26 benefit pursuant to the provisions of this act by reason of the death  
27 of a member or retirant.

28 e. "Board of trustees" or "board" means the board provided for  
29 in section 30 of this act.

30 f. "Child" means a deceased member's or retirant's unmarried  
31 child either (a) under the age of 18 or (b) of any age who, at the  
32 time of the member's or retirant's death, is disabled because of an  
33 intellectual disability or physical incapacity, is unable to do any  
34 substantial, gainful work because of the impairment and his  
35 impairment has lasted or can be expected to last for a continuous  
36 period of not less than 12 months, as affirmed by the medical board.

37 g. "Creditable service" means service rendered for which credit  
38 is allowed on the basis of contributions made by the member or the  
39 State.

**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>Senate SSG committee amendments adopted May 14, 2012.

1 h. "Parent" means the parent of a member who was receiving at  
2 least one-half of his support from the member in the 12-month  
3 period immediately preceding the member's death or the accident  
4 which was the direct cause of the member's death. The dependency  
5 of such a parent will be considered terminated by marriage of the  
6 parent subsequent to the death of the member.

7 i. (1) "Final compensation" means the average compensation  
8 received by the member in the last 12 months of creditable service  
9 preceding his retirement or death. Such term includes the value of  
10 the member's maintenance allowance for this same period.

11 (2) In the case of a person who becomes a member of the  
12 retirement system on or after the effective date of P.L.2010, c.1,  
13 "final compensation" means the average annual compensation for  
14 service for which contributions are made during any three fiscal  
15 years of membership providing the largest possible benefit to the  
16 member or the member's beneficiary. Such term includes the value  
17 of the member's maintenance allowance for this same period.

18 j. (1) "Final salary" means the average salary received by the  
19 member in the last 12 months of creditable service preceding his  
20 retirement or death. Such term shall not include the value of the  
21 member's maintenance allowance.

22 (2) In the case of a person who becomes a member of the  
23 retirement system on or after the effective date of P.L.2010, c.1,  
24 "final salary" means the average annual salary for service for which  
25 contributions are made during any three fiscal years of membership  
26 providing the largest possible benefit to the member or the  
27 member's beneficiary. Such term shall not include the value of the  
28 member's maintenance allowance.

29 k. "Fiscal year" means any year commencing with July 1 and  
30 ending with June 30 next following.

31 l. "Medical board" means the board of physicians provided for  
32 in section 30 of this act.

33 m. "Member" means any full-time, commissioned officer, non-  
34 commissioned officer or trooper of the Division of State Police of  
35 the Department of Law and Public Safety of the State of New Jersey  
36 enrolled in the retirement system established by this act.

37 n. "Pension" means payment for life derived from contributions  
38 by the State.

39 o. "Pension reserve" means the present value of all payments to  
40 be made on account of any pension or benefit in lieu of any pension  
41 computed on the basis of such mortality tables recommended by the  
42 actuary as shall be adopted by the board of trustees and regular  
43 interest.

44 p. "Regular interest" means interest as determined by the State  
45 Treasurer, after consultation with the Directors of the Divisions of  
46 Investment and Pensions, the board of trustees and the actuary. It  
47 shall bear a reasonable relationship to the percentage rate of  
48 earnings on investments based on the market value of the assets but

1 shall not exceed the assumed percentage rate of increase applied to  
2 salaries plus 3%, provided however that the board of trustees shall  
3 not set the average percentage rate of increase applied to salaries  
4 below 6%.

5 q. "Retirant" means any former member receiving a retirement  
6 allowance as provided by this act.

7 r. "Retirement allowance" means the pension plus the annuity.

8 s. "State Police Retirement System of New Jersey," herein also  
9 referred to as the "retirement system" or "system," is the corporate  
10 name of the arrangement for the payment of retirement allowances  
11 and of the benefits under the provisions of this act including the  
12 several funds placed under said system. By that name, all of its  
13 business shall be transacted, its funds invested, warrants for moneys  
14 drawn, and payments made and all of its cash and securities and  
15 other property held. All assets held in the name of the former  
16 "State Police Retirement and Benevolent Fund" shall be transferred  
17 to the retirement system established by this act.

18 t. "Surviving spouse" means the person to whom a member or  
19 a retirant was married, or a domestic partner as defined in section 3  
20 of P.L.2003, c.246 (C.26:8A-3), on the date of the death of the  
21 member or retirant. The dependency of such a surviving spouse will  
22 be considered terminated by the marriage of, or establishment of a  
23 domestic partnership by, the surviving spouse subsequent to the  
24 member's or the retirant's death, except that in the event of the  
25 payment of accidental death benefits, pursuant to section 14 of  
26 P.L.1965, c.89 (C.53:5A-14), the dependency of such a surviving  
27 spouse or domestic partner will not be considered terminated by the  
28 marriage of, or establishment of a domestic partnership by, the  
29 surviving spouse subsequent to the member's death.

30 u. (1) "Compensation" for purposes of computing pension  
31 contributions means the base salary, for services as a member as  
32 defined in this act, which is in accordance with established salary  
33 policies of the State for all employees in the same position but shall  
34 not include individual salary adjustments which are granted  
35 primarily in anticipation of the member's retirement or additional  
36 remuneration for performing temporary duties beyond the regular  
37 workday or shift.

38 (2) In the case of a person who becomes a member of the  
39 retirement system on or after the effective date of P.L.2010, c.1,  
40 "compensation" means the amount of base salary equivalent to the  
41 annual maximum wage contribution base for Social Security,  
42 pursuant to the Federal Insurance Contributions Act, for services as  
43 a member as defined in this act, which is in accordance with  
44 established salary policies of the State for all employees in the same  
45 position but shall not include individual salary adjustments which  
46 are granted primarily in anticipation of the member's retirement or  
47 additional remuneration for performing temporary duties beyond  
48 the regular workday or shift.

1       v. "Veteran" means any person who has served in the United  
2 States Armed Forces and has or shall be discharged or released  
3 therefrom under conditions other than dishonorable, in any of the  
4 following wars or emergencies, and who has presented to the  
5 retirement system evidence of such record of service in form and  
6 content satisfactory to the retirement system:

7       (1) Vietnam conflict on or after December 31, 1960, and on or  
8 prior to May 7, 1975, who shall have served at least 90 days in such  
9 active service, exclusive of any period of assignment (1) for a  
10 course of education or training under the Army Specialized  
11 Training Program or the Navy College Training Program which  
12 course was a continuation of a civilian course and was pursued to  
13 completion, or (2) as a cadet or midshipman at one of the service  
14 academies, any part of which 90 days was served between said  
15 dates; and exclusive of any service performed pursuant to the  
16 provisions of section 511 (d) of Title 10, United States Code,  
17 pursuant to an enlistment in the Army National Guard or as a  
18 reserve for service in the Army Reserve, Naval Reserve, Air Force  
19 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
20 that any person receiving an actual service-incurred injury or  
21 disability shall be classed as a veteran whether or not that person  
22 has completed the 90 days' service as herein provided;

23       (2) Lebanon peacekeeping mission, on or after September 26,  
24 1982, who has served in Lebanon or on board any ship actively  
25 engaged in patrolling the territorial waters of that nation for a  
26 period, continuous or in the aggregate, of at least 14 days  
27 commencing on or before December 1, 1987 or the date of  
28 termination of that mission, as proclaimed by the President of the  
29 United States or Congress, whichever date of termination is the  
30 latest, in such active service; provided, that any person receiving an  
31 actual service-incurred injury or disability shall be classed as a  
32 veteran whether or not that person has completed the 14 days'  
33 service as herein provided;

34       (3) Grenada peacekeeping mission, on or after October 23,  
35 1983, who has served in Grenada or on board any ship actively  
36 engaged in patrolling the territorial waters of that nation for a  
37 period, continuous or in the aggregate, of at least 14 days  
38 commencing on or before November 21, 1983 or the date of  
39 termination of that mission, as proclaimed by the President of the  
40 United States or Congress, whichever date of termination is the  
41 latest, in such active service; provided, that any person receiving an  
42 actual service-incurred injury or disability shall be classed as a  
43 veteran whether or not that person has completed the 14 days'  
44 service as herein provided;

45       (4) Panama peacekeeping mission, on or after December 20,  
46 1989 or the date of inception of that mission, as proclaimed by the  
47 President of the United States or Congress, whichever date of  
48 inception is earliest, who has served in Panama or on board any ship

1 actively engaged in patrolling the territorial waters of that nation for  
2 a period, continuous or in the aggregate, of at least 14 days  
3 commencing on or before January 31, 1990 or the date of  
4 termination of that mission, as proclaimed by the President of the  
5 United States or Congress, whichever date of termination is the  
6 latest, in such active service; provided, that any person receiving an  
7 actual service-incurred injury or disability shall be classed as a  
8 veteran whether or not that person has completed the 14 days'  
9 service as herein provided;

10 (5) Operation "Desert Shield/Desert Storm" mission in the  
11 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
12 or the date of inception of that operation, as proclaimed by the  
13 President of the United States or Congress, whichever date of  
14 inception is earliest, who has served in the Arabian peninsula or on  
15 board any ship actively engaged in patrolling the Persian Gulf for a  
16 period, continuous or in the aggregate, of at least 14 days  
17 commencing on or before the date of termination of that mission, as  
18 proclaimed by the President of the United States or Congress,  
19 whichever date of termination is the latest, in such active service;  
20 provided, that any person receiving an actual service-incurred injury  
21 or disability shall be classed as a veteran whether or not that person  
22 has completed the 14 days' service as herein provided;

23 (6) Operation Northern Watch and Operation Southern Watch,  
24 on or after August 27, 1992, or the date of inception of that  
25 operation, as proclaimed by the President of the United States,  
26 Congress or United States Secretary of Defense, whichever date of  
27 inception is earliest, who served in the theater of operation,  
28 including in the Arabian peninsula and the Persian Gulf, and in  
29 direct support of that operation for a period, continuously or in the  
30 aggregate, of at least 14 days in such active service, commencing on  
31 or before the date of termination of that operation, as proclaimed by  
32 the President of the United States, Congress or United States  
33 Secretary of Defense, whichever date of termination is the latest;  
34 provided, that any person receiving an actual service-incurred injury  
35 or disability while engaged in such service shall be classed as a  
36 veteran whether or not that person has completed the 14 days'  
37 service as herein provided;

38 (7) Operation "Restore Hope" in Somalia, on or after December  
39 5, 1992, or the date of inception of that operation as proclaimed by  
40 the President of the United States or Congress, whichever date is  
41 earliest, who has served in Somalia or on board any ship actively  
42 engaged in patrolling the territorial waters of that nation for a  
43 period, continuously or in the aggregate, of at least 14 days in such  
44 active service commencing on or before March 31, 1994; provided  
45 that any person receiving an actual service-incurred injury or  
46 disability shall be classed as a veteran whether or not that person  
47 has completed the 14-day service as herein provided;

1       (8) Operations "Joint Endeavor" and "Joint Guard" in the  
2 Republic of Bosnia and Herzegovina, on or after November 20,  
3 1995, who served in such active service in direct support of one or  
4 both of the operations for at least 14 days, continuously or in the  
5 aggregate, commencing on or before June 20, 1998, and (1) was  
6 deployed in that nation or in another area in the region, or (2) was  
7 on board a United States naval vessel operating in the Adriatic Sea,  
8 or (3) operated in airspace above the Republic of Bosnia and  
9 Herzegovina; provided that any person receiving an actual service-  
10 incurred injury or disability shall be classed as a veteran whether or  
11 not that person completed the 14-day service requirement;

12       (9) Operation "Enduring Freedom", on or after September 11,  
13 2001, who served in a theater of operation and in direct support of  
14 that operation for a period, continuously or in the aggregate, of at  
15 least 14 days in such active service commencing on or before the  
16 date the President of the United States or the United States  
17 Secretary of Defense designates as the termination date of that  
18 operation; provided, that any person receiving an actual service-  
19 incurred injury or disability while engaged in such service shall be  
20 classed as a veteran whether or not that person has completed the 14  
21 days' service as herein provided; and

22       (10) Operation "Iraqi Freedom", on or after the date the President  
23 of the United States or the United States Secretary of Defense  
24 designates as the inception date of that operation, who served in  
25 Iraq or in another area in the region in direct support of that  
26 operation for a period, continuously or in the aggregate, of at least  
27 14 days in such active service commencing on or before the date the  
28 President of the United States or the United States Secretary of  
29 Defense designates as the termination date of that operation;  
30 provided, that any person receiving an actual service-incurred injury  
31 or disability while engaged in such service shall be classed as a  
32 veteran whether or not that person has completed the 14 days'  
33 service as herein provided.

34 (cf: P.L.2010, c.50, s.80)

35  
36       2. (New section) A member may file a detailed statement of  
37 military service in the Armed Forces of the United States, rendered  
38 prior to becoming a member, for which the member desires credit,  
39 and of such other facts as the retirement system may require. The  
40 member may purchase credit for all or a portion of the service  
41 evidenced in the statement up to the nearest number of years and  
42 months, but not exceeding 10 years, provided however, that a  
43 member purchasing that maximum credit may purchase up to five  
44 additional years for additional military service qualifying the  
45 member as a veteran as defined in section 3 of P.L.1965, c.89  
46 (C.53:5A-3). <sup>1</sup>If such credit is established, it shall be considered  
47 the same as creditable service as a full-time commissioned officer,  
48 noncommissioned officer or trooper rendered as a member.<sup>1</sup> No



1 application shall be accepted for the purchase of credit for the  
2 service if, at the time of application, the member has a vested right  
3 to retirement benefits in another retirement system based in whole  
4 or in part upon that service. The member may purchase credit for  
5 the service by paying into the annuity savings fund the amount  
6 required by applying the factor, supplied by the actuary as being  
7 applicable to the member's age at the time of the purchase, to the  
8 member's salary at that time, or to the highest annual compensation  
9 for service in this State for which contributions were made during  
10 any prior fiscal year of membership, whichever is greater. The  
11 purchase may be made in regular installments, equal to at least 1/2  
12 of the full normal contribution to the retirement system, over a  
13 maximum period of 10 years.

14 The employer of a member who applies, pursuant to this section,  
15 to purchase credit for military service in the Armed Forces of the  
16 United States shall not be liable for any payment to the retirement  
17 system on behalf of the member for the purchase of this credit. The  
18 Adjutant General of the Department of Military and Veterans'  
19 Affairs shall be responsible for determining whether any person  
20 seeking to be considered a "veteran" under section 3 of P.L.1965,  
21 c.89 (C.53:5A-3), for the purpose of purchasing military service  
22 credit, meets the criteria set forth therein and adjudicating an appeal  
23 from any person disputing this determination. The determination of  
24 the Adjutant General shall be binding upon the Division of Pensions  
25 and Benefits.

26 Notwithstanding any provision of this act to the contrary, a  
27 member shall not be liable for any costs associated with the  
28 financing of pension adjustment benefits and health care benefits  
29 for retirees when purchasing credit for military service in the  
30 Armed Forces of the United States.

31 Any member electing to make a purchase pursuant to this section  
32 who retires prior to completing payments as agreed with the  
33 retirement system will receive pro rata credit for the purchase prior  
34 to the date of retirement, but if the member so elects at the time of  
35 retirement, the member may make the additional lump sum payment  
36 required at that time to provide full credit.

37

38 3. This act shall take effect immediately.

39

40

41

42

43 \_\_\_\_\_  
44 Allows SPRS members to purchase SPRS credit for prior  
military service.

**SENATE, No. 1122**

**STATE OF NEW JERSEY**  
**215th LEGISLATURE**

INTRODUCED JANUARY 23, 2012

**Sponsored by:**

**Senator JENNIFER BECK**

**District 11 (Monmouth)**

**Co-Sponsored by:**

**Senator Thompson**

**SYNOPSIS**

Allows SPRS members to purchase SPRS credit for prior military service.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 5/4/2012)**

S1122 BECK

2

1 AN ACT concerning the purchase of service credit by members of  
2 the State Police Retirement System for military service in the  
3 United States Armed Forces and amending and supplementing  
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15 Annuity Savings Fund. Interest credited on contributions to the  
16 former "State Police Retirement and Benevolent Fund" shall be  
17 included in a member's aggregate contributions.

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19 aggregate contributions of a member.

20 c. "Annuity reserve" means the present value of all payments  
21 to be made on account of any annuity or benefit in lieu of an  
22 annuity, computed upon the basis of such mortality tables  
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24 regular interest.

25 d. "Beneficiary" means any person entitled to receive any  
26 benefit pursuant to the provisions of this act by reason of the death  
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31 child either (a) under the age of 18 or (b) of any age who, at the  
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33 intellectual disability or physical incapacity, is unable to do any  
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36 period of not less than 12 months, as affirmed by the medical board.

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41 least one-half of his support from the member in the 12-month  
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44 of such a parent will be considered terminated by marriage of the  
45 parent subsequent to the death of the member.

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**Matter underlined thus is new matter.**

**S1122 BECK**

1 i. (1) "Final compensation" means the average compensation  
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3 preceding his retirement or death. Such term includes the value of  
4 the member's maintenance allowance for this same period.

5 (2) In the case of a person who becomes a member of the  
6 retirement system on or after the effective date of P.L.2010, c.1,  
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8 service for which contributions are made during any three fiscal  
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28 commissioned officer or trooper of the Division of State Police of  
29 the Department of Law and Public Safety of the State of New Jersey  
30 enrolled in the retirement system established by this act.

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33 o. "Pension reserve" means the present value of all payments to  
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37 interest.

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S1122 BECK

- 1 r. "Retirement allowance" means the pension plus the annuity.
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5 and of the benefits under the provisions of this act including the  
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28 not include individual salary adjustments which are granted  
29 primarily in anticipation of the member's retirement or additional  
30 remuneration for performing temporary duties beyond the regular  
31 workday or shift.
- 32 (2) In the case of a person who becomes a member of the  
33 retirement system on or after the effective date of P.L.2010, c.1,  
34 "compensation" means the amount of base salary equivalent to the  
35 annual maximum wage contribution base for Social Security,  
36 pursuant to the Federal Insurance Contributions Act, for services as  
37 a member as defined in this act, which is in accordance with  
38 established salary policies of the State for all employees in the same  
39 position but shall not include individual salary adjustments which  
40 are granted primarily in anticipation of the member's retirement or  
41 additional remuneration for performing temporary duties beyond  
42 the regular workday or shift.
- 43 v. "Veteran" means any person who has served in the United  
44 States Armed Forces and has or shall be discharged or released  
45 therefrom under conditions other than dishonorable, in any of the  
46 following wars or emergencies, and who has presented to the  
47 retirement system evidence of such record of service in form and  
48 content satisfactory to the retirement system:

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1       (1) Vietnam conflict on or after December 31, 1960, and on or  
2 prior to May 7, 1975, who shall have served at least 90 days in such  
3 active service, exclusive of any period of assignment (1) for a  
4 course of education or training under the Army Specialized  
5 Training Program or the Navy College Training Program which  
6 course was a continuation of a civilian course and was pursued to  
7 completion, or (2) as a cadet or midshipman at one of the service  
8 academies, any part of which 90 days was served between said  
9 dates; and exclusive of any service performed pursuant to the  
10 provisions of section 511 (d) of Title 10, United States Code,  
11 pursuant to an enlistment in the Army National Guard or as a  
12 reserve for service in the Army Reserve, Naval Reserve, Air Force  
13 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
14 that any person receiving an actual service-incurred injury or  
15 disability shall be classed as a veteran whether or not that person  
16 has completed the 90 days' service as herein provided;

17       (2) Lebanon peacekeeping mission, on or after September 26,  
18 1982, who has served in Lebanon or on board any ship actively  
19 engaged in patrolling the territorial waters of that nation for a  
20 period, continuous or in the aggregate, of at least 14 days  
21 commencing on or before December 1, 1987 or the date of  
22 termination of that mission, as proclaimed by the President of the  
23 United States or Congress, whichever date of termination is the  
24 latest, in such active service; provided, that any person receiving an  
25 actual service-incurred injury or disability shall be classed as a  
26 veteran whether or not that person has completed the 14 days'  
27 service as herein provided;

28       (3) Grenada peacekeeping mission, on or after October 23, 1983,  
29 who has served in Grenada or on board any ship actively engaged in  
30 patrolling the territorial waters of that nation for a period,  
31 continuous or in the aggregate, of at least 14 days commencing on  
32 or before November 21, 1983 or the date of termination of that  
33 mission, as proclaimed by the President of the United States or  
34 Congress, whichever date of termination is the latest, in such active  
35 service; provided, that any person receiving an actual service-  
36 incurred injury or disability shall be classed as a veteran whether or  
37 not that person has completed the 14 days' service as herein  
38 provided;

39       (4) Panama peacekeeping mission, on or after December 20,  
40 1989 or the date of inception of that mission, as proclaimed by the  
41 President of the United States or Congress, whichever date of  
42 inception is earliest, who has served in Panama or on board any ship  
43 actively engaged in patrolling the territorial waters of that nation for  
44 a period, continuous or in the aggregate, of at least 14 days  
45 commencing on or before January 31, 1990 or the date of  
46 termination of that mission, as proclaimed by the President of the  
47 United States or Congress, whichever date of termination is the  
48 latest, in such active service; provided, that any person receiving an

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1 actual service-incurred injury or disability shall be classed as a  
2 veteran whether or not that person has completed the 14 days'  
3 service as herein provided;

4 (5) Operation "Desert Shield/Desert Storm" mission in the  
5 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
6 or the date of inception of that operation, as proclaimed by the  
7 President of the United States or Congress, whichever date of  
8 inception is earliest, who has served in the Arabian peninsula or on  
9 board any ship actively engaged in patrolling the Persian Gulf for a  
10 period, continuous or in the aggregate, of at least 14 days  
11 commencing on or before the date of termination of that mission, as  
12 proclaimed by the President of the United States or Congress,  
13 whichever date of termination is the latest, in such active service;  
14 provided, that any person receiving an actual service-incurred injury  
15 or disability shall be classed as a veteran whether or not that person  
16 has completed the 14 days' service as herein provided;

17 (6) Operation Northern Watch and Operation Southern Watch,  
18 on or after August 27, 1992, or the date of inception of that  
19 operation, as proclaimed by the President of the United States,  
20 Congress or United States Secretary of Defense, whichever date of  
21 inception is earliest, who served in the theater of operation,  
22 including in the Arabian peninsula and the Persian Gulf, and in  
23 direct support of that operation for a period, continuously or in the  
24 aggregate, of at least 14 days in such active service, commencing on  
25 or before the date of termination of that operation, as proclaimed by  
26 the President of the United States, Congress or United States  
27 Secretary of Defense, whichever date of termination is the latest;  
28 provided, that any person receiving an actual service-incurred injury  
29 or disability while engaged in such service shall be classed as a  
30 veteran whether or not that person has completed the 14 days'  
31 service as herein provided;

32 (7) Operation "Restore Hope" in Somalia, on or after December  
33 5, 1992, or the date of inception of that operation as proclaimed by  
34 the President of the United States or Congress, whichever date is  
35 earliest, who has served in Somalia or on board any ship actively  
36 engaged in patrolling the territorial waters of that nation for a  
37 period, continuously or in the aggregate, of at least 14 days in such  
38 active service commencing on or before March 31, 1994; provided  
39 that any person receiving an actual service-incurred injury or  
40 disability shall be classed as a veteran whether or not that person  
41 has completed the 14-day service as herein provided;

42 (8) Operations "Joint Endeavor" and "Joint Guard" in the  
43 Republic of Bosnia and Herzegovina, on or after November 20,  
44 1995, who served in such active service in direct support of one or  
45 both of the operations for at least 14 days, continuously or in the  
46 aggregate, commencing on or before June 20, 1998, and (1) was  
47 deployed in that nation or in another area in the region, or (2) was  
48 on board a United States naval vessel operating in the Adriatic Sea,

1 or (3) operated in airspace above the Republic of Bosnia and  
2 Herzegovina; provided that any person receiving an actual service-  
3 incurred injury or disability shall be classed as a veteran whether or  
4 not that person completed the 14-day service requirement;

5 (9) Operation "Enduring Freedom", on or after September 11,  
6 2001, who served in a theater of operation and in direct support of  
7 that operation for a period, continuously or in the aggregate, of at  
8 least 14 days in such active service commencing on or before the  
9 date the President of the United States or the United States  
10 Secretary of Defense designates as the termination date of that  
11 operation; provided, that any person receiving an actual service-  
12 incurred injury or disability while engaged in such service shall be  
13 classed as a veteran whether or not that person has completed the 14  
14 days' service as herein provided; and

15 (10) Operation "Iraqi Freedom", on or after the date the President  
16 of the United States or the United States Secretary of Defense  
17 designates as the inception date of that operation, who served in  
18 Iraq or in another area in the region in direct support of that  
19 operation for a period, continuously or in the aggregate, of at least  
20 14 days in such active service commencing on or before the date the  
21 President of the United States or the United States Secretary of  
22 Defense designates as the termination date of that operation;  
23 provided, that any person receiving an actual service-incurred injury  
24 or disability while engaged in such service shall be classed as a  
25 veteran whether or not that person has completed the 14 days'  
26 service as herein provided.

27 (cf: P.L.2010, c.50, s.80)

28  
29 2. (New section) A member may file a detailed statement of  
30 military service in the Armed Forces of the United States, rendered  
31 prior to becoming a member, for which the member desires credit,  
32 and of such other facts as the retirement system may require. The  
33 member may purchase credit for all or a portion of the service  
34 evidenced in the statement up to the nearest number of years and  
35 months, but not exceeding 10 years, provided however, that a  
36 member purchasing that maximum credit may purchase up to five  
37 additional years for additional military service qualifying the  
38 member as a veteran as defined in section 3 of P.L.1965, c.89  
39 (C.53:5A-3). No application shall be accepted for the purchase of  
40 credit for the service if, at the time of application, the member has a  
41 vested right to retirement benefits in another retirement system  
42 based in whole or in part upon that service. The member may  
43 purchase credit for the service by paying into the annuity savings  
44 fund the amount required by applying the factor, supplied by the  
45 actuary as being applicable to the member's age at the time of the  
46 purchase, to the member's salary at that time, or to the highest  
47 annual compensation for service in this State for which  
48 contributions were made during any prior fiscal year of



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1 membership, whichever is greater. The purchase may be made in  
2 regular installments, equal to at least 1/2 of the full normal  
3 contribution to the retirement system, over a maximum period of 10  
4 years.

5 The employer of a member who applies, pursuant to this section,  
6 to purchase credit for military service in the Armed Forces of the  
7 United States shall not be liable for any payment to the retirement  
8 system on behalf of the member for the purchase of this credit. The  
9 Adjutant General of the Department of Military and Veterans'  
10 Affairs shall be responsible for determining whether any person  
11 seeking to be considered a "veteran" under section 3 of P.L.1965,  
12 c.89 (C.53:5A-3), for the purpose of purchasing military service  
13 credit, meets the criteria set forth therein and adjudicating an appeal  
14 from any person disputing this determination. The determination of  
15 the Adjutant General shall be binding upon the Division of Pensions  
16 and Benefits.

17 Notwithstanding any provision of this act to the contrary, a  
18 member shall not be liable for any costs associated with the  
19 financing of pension adjustment benefits and health care benefits  
20 for retirees when purchasing credit for military service in the  
21 Armed Forces of the United States.

22 Any member electing to make a purchase pursuant to this section  
23 who retires prior to completing payments as agreed with the  
24 retirement system will receive pro rata credit for the purchase prior  
25 to the date of retirement, but if the member so elects at the time of  
26 retirement, the member may make the additional lump sum payment  
27 required at that time to provide full credit.

28

29 3. This act shall take effect immediately.

30

31

32

**STATEMENT**

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34 This bill allows a member of the New Jersey State Police  
35 Retirement System (SPRS) to purchase credit in the retirement  
36 system for military service in the Armed Forces of the United States  
37 prior to becoming a member.

38 A member may purchase credit for all or a portion of such  
39 service, up to 10 years, plus an additional 5 years if the member  
40 qualifies as a veteran with certain wartime military service. Similar  
41 provisions exist for members of the State's Police and Firemen's  
42 Retirement System, Public Employees' Retirement System, and  
43 Teachers' Pension and Annuity Fund.

**Motion:** Recommend against enactment since the bill would result in additional State and local employer pension costs.

**Discussion:** The Commission does not support this bill since it detracts from the Legislature's original intent as to who should qualify for veteran preference in this State. The increased veteran population will cause pension costs to significantly increase, as it is estimated that employer pension contributions will increase over \$28 million per year. Increases to certain pensions are not advisable, particularly while COLA and other unfunded liability issues are being addressed through the reforms initiated in P.L. 2011, c. 78. Originally, veteran preference in the State was to include all who service in the "theatre of operations" during world wars or major national emergencies.

**A-626 (Gove/Rumpf)**

Allows PERS ordinary disability retiree to earn up to \$3,000 in PERS-covered employment annually before cancellation of disability benefit and reenrollment in PERS.

**Motion:** Recommend against enactment since the bill liberalizes the intent of a total and permanent disability and does not encourage consistent policy of disability benefits among the State-administered retirement systems.

**Discussion:** The Commission is concerned with the increasing number of disability claims that result in part from changing court and statutory policy that ease eligibility requirements. The bill only impacts the PERS and its enactment will create a disparity among the State-administered retirement systems, specifically when compared to TPAF, which has similar return to employment laws regarding disability pensions. Additionally, the bill indicates it is applicable only to members who retire with an ordinary disability pension. Accidental disability pensions appear to be excluded. The introduction of future bills extending this bill's provisions to the other State pension plans can be anticipated. The enactment of recent pension reforms changed the eligibility requirements for PERS membership several times. Prior to the enactment of P.L. 2008, c. 89, PERS membership was predicated on an annual salary of at least \$1,500 (Tier 1 and Tier 2 members. Chapter 89, P.L. 2008 increased the minimum annual salary requirement to \$7,500 adjusted annually for changes in the CPI (currently \$7,800). Full-time status i.e. 35 hours per State, 32 hours per week for locals, is required for TIER 4 and Tier 5 membership in PERS as a result of the enactment of P.L. 2010, c. 1. Also, Tier 4 and 5 PERS members are no long eligible for the ordinary disability pension benefits addressed by this bill. These members are eligible for disability insurance coverage pursuant to Chapter 3, P.L. 2010. Consequently, the \$3,000 earnings limit provided for in this bill would only apply to Tier 1 and Tier 2 PERS members.

**A-694 (Ramos)**

Provides for continuation of health insurance coverage in group and SHBP health plans for unlimited period of time for certain former employees and their dependents.

**Motion:** Recommend against enactment since it will increase State and local SHBP costs and it continues the questionable practice of mandating health benefit coverage.

**Discussion:** The bill allows the State Health Benefits Commission to assess the former employee an additional premium not to exceed 102% of active coverage for the extended coverage period provided by the bill. As such, the premiums paid by the employees electing the coverage many not absorb the entire higher coverage costs associated with this bill. Consequently, employers participating in the SHBP will partially subsidize the resulting increased costs through increased required premiums. The SHBP will experience adverse selection since only those employees who need the extended coverage will elect to do so, compounding the negative financial impact to the participating SHBP employers. It is estimated that the additional SHBP costs will over \$10 million per year. In addition, the bill continues the questionable practice of mandating health benefit coverage.

**Pension and Health Benefits Review Commission  
Vote Results  
April 20, 2012**

**S-1122 (Beck)/A-2118(O'Scanlon)**

Allows SPRS members to purchase SPRS credit for prior military service.

**Motion:** Recommend against enactment.

**Discussion:** This bill is unclear as to what the additional pension accrual will be for the service credit allowed to be purchased. The SPRS is unique in that to get full accrual toward a SPRS pension the time must be served exclusively as a State Trooper. Under current pension law, a SPRS member may purchase or transfer service established in any other State-administered retirement system, but the additional pension benefit increase to be derived from such non-State police service is limited to 1 percent of final compensation for each year. For a SPRS member to qualify to retire on a service retirement of 50 percent of final compensation upon attaining twenty years of service, the entire twenty years must be served as a State Trooper. Other creditable service would increase the annual pension by one percent for each year of such other creditable service. It is unclear in this bill whether the service allowed to be purchased will be permitted to meet the service thresholds required for certain retirements in the SPRS (i.e. 20 years for a service retirement or 25 years for a special 65 percent of final compensation pension) or will it be limited to the additional 1 percent provision.

**S-292 (Pennacchio)**

Requires immediate resumed qualification as dependent covered person under certain health benefits plans after active military duty under certain circumstances.

**Motion:** Recommend to enact with the condition that eligibility rules are consistent with the SHBP/SEHBP.

**Discussion:** Since the SHBP/SEHBP currently provides coverage to a participant's dependents up until age 26 regardless of the dependent's marital, student or financial status, the enactment of this bill would have little impact on the plans. The provisions of this bill seem to infer that health benefit coverage under a plan would be extended to a dependent child beyond the age of 18 only if the dependent was a student. However, student status is not a prerequisite for dependent coverage in the SHBP/SEHBP. Beginning with the plan year 2012, and pursuant to recently enacted federal health care reform, the SHBP/SEHBP is required to cover the dependents of a plan participant up until December 31 of the year the dependent turns 26, regardless of their marital, student or financial status. Prior to this federally required mandate, pursuant to State statute, dependent child coverage under the SHBP/SEHBP was provided to an employee's unmarried children under the age of 23 years who lived with the employee in a regular parent-child relationship, regardless if the child was a student or not. The State law has been pre-empted by the federal mandate.

**S-1253 (Vitale)/A-1665(Johnson/Vainieri Huttie)**

Revises statutory mental health coverage requirements and requires all health insurers and SHBP to cover treatment for alcoholism and other substance-use disorders under same terms and conditions as for other diseases or illnesses.

SENATE STATE GOVERNMENT, WAGERING, TOURISM &  
HISTORIC PRESERVATION COMMITTEE

STATEMENT TO  
**SENATE, No. 1122**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 14, 2012

The Senate State Government, Wagering, Tourism and Historic Preservation Committee reports favorably and with committee amendments Senate Bill No. 1122.

As amended by the committee, this bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. A member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, as amended, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

COMMITTEE AMENDMENTS:

The committee amended the bill to clarify that the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

**FISCAL NOTE**  
 [First Reprint]  
**SENATE, No. 1122**  
**STATE OF NEW JERSEY**  
**215th LEGISLATURE**

DATED: AUGUST 3, 2012

**SUMMARY**

**Synopsis:** Allows State Police Retirement System (SPRS) members to purchase SPRS credit for prior military service.

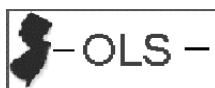
**Type of Impact:** State General Fund.

**Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.

**Executive Estimate**

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<b>State Cost</b>	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate, agreeing that the nature of the SPRS benefit calculation may contribute to the difficulty in assessing a true cost of an SPRS purchase but noting that a calculation is already done for the same type of purchase by members of the Police and Firemen’s Retirement System with the same retirement benefits.
- This bill allows a member of the New Jersey SPRS to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member.
- The SPRS member is responsible for the full cost of a purchase and the prior purchased military service credit will be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.
- The Division of Pensions and Benefits in the Department of the Treasury provides no estimate of costs to the State because the number of service credit purchasers and their demographic characteristics are unknown.



- The division points out that the State is responsible for the cost of post-retirement medical benefits of SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner.
- The division estimates data processing implementation costs at \$300,000.

## **BILL DESCRIPTION**

Senate Bill No. 1122 (1R) of 2012 allows a member of the New Jersey SPRS to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. The member is responsible for the full cost of a purchase and may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar purchase provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Division of Pensions and Benefits in the Department of the Treasury provides no estimate of costs to the State, stating, "The aggregate additional State costs associated with this bill cannot be measured since the number of service credit purchases that would be made as a result of this bill's enactment and the demographics of those making the purchases is not known." Any impact of the bill would be limited to the 2,844 active members of the SPRS. While the bill indicates that the State, as the employer, will not bear any cost associated with a purchase, the division points out that the State is responsible for the cost of post-retirement medical benefits for SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner. The annual cost to the State for post-retirement benefits under NJ DIRECT 15 in the State Health Benefits Program for a member and spouse with no federal Medicare coverage is \$20,713. The bill also provides that the purchase cost to the member does not include any costs associated with a cost-of-living adjustment (COLA). Since the payment of a COLA has been suspended by P.L.2011, c.78, it is not currently a cost factor associated with this bill.

In addition, the division indicates informally that the actuaries note that there may be an unknown, hidden cost to the State in certain instances because unlike the purchases permitted to in the PERS, for example, wherein the purchase increases a number used in the calculation of the retirement benefit along a level continuum, the SPRS benefit has a step up in benefit at 25 or more years. The SPRS members with 20 years of service may retire on a benefit of 50 percent of compensation while those with 25 years may retire on a benefit of 65 percent of compensation. At the time a SPRS member makes a purchase of credit for military time, it will not be known whether the purchase contributes to that significant jump from 50 percent to 65 percent. The

actuaries point out that it is hard to establish purchase factors that will assure that there is “no cost to the employer,” that is, no cost to the State.

First year implementation cost is estimated to be \$300,000.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS concurs with the Executive estimate and agrees that the nature of the SPRS benefit calculation may contribute to the difficulty in assessing a true cost of an SPRS purchase, but notes that the same type of purchase is permitted for members of the PFRS whose members have the exact same step up in calculation of benefits if enrolled before June 28, 2011. Members enrolled thereafter have a step up from the 50 percent to 60 percent of compensation.

*Section: State Government*

*Analyst: Pamela H. Espenshade  
Principal Counsel*

*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 1122**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 17, 2012

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1122 (1R).

This bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. A member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

### FISCAL IMPACT:

The Division of Pensions and Benefits in the Department of the Treasury states that the aggregate additional State costs associated with this bill cannot be measured, since the number of service credit purchases that would be made as a result of this bill's enactment and the demographics of those making the purchases is not known. Any impact of the bill would be limited to the 2,844 active members of the SPRS.

While the bill indicates that the State, as the employer, will not bear any cost associated with a purchase, the division points out that the State is responsible for the cost of post-retirement medical benefits for SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner. The annual cost to the State for post-retirement benefits under NJ DIRECT 15 in the State Health Benefits Program for a member and spouse with no federal Medicare coverage is \$20,713. The bill also provides that the purchase cost to the member does not include any costs associated with a cost-of-living adjustment (COLA). Since the payment of a COLA has been suspended by P.L.2011, c.78, it is not currently a cost factor associated with this bill.

In addition, the division indicates informally that the actuaries note that there may be an unknown, hidden cost to the State in certain instances because unlike the purchases permitted under PERS, for example, wherein the purchase increases a number used in the calculation of the retirement benefit along a level continuum, the SPRS benefit has a step up in benefit at 25 or more years. The SPRS members with 20 years of service may retire on a benefit of 50 percent of compensation while those with 25 years may retire on a benefit of 65 percent of compensation. At the time a SPRS member makes a purchase of credit for military time, it will not be known whether the purchase contributes to that significant jump from 50 percent to 65 percent. The actuaries point out that it is hard to establish purchase factors that will assure that there is “no cost to the employer,” that is, no cost to the State.

First year implementation cost is estimated to be \$300,000.



ASSEMBLY MILITARY AND VETERANS' AFFAIRS  
COMMITTEE

STATEMENT TO

[First Reprint]  
**SENATE, No. 1122**

**STATE OF NEW JERSEY**

DATED: MAY 13, 2013

The Assembly Military and Veterans' Affairs Committee reports favorably Senate, No. 1122 (1R).

This bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. A member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

This bill is identical to Assembly Bill No. 3967 of 2012-2013.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 1122**

# **STATE OF NEW JERSEY**

DATED: JUNE 6, 2013

The Assembly Appropriations Committee reports favorably Senate Bill No. 1122 (1R).

The bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member.

The bill provides that a member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service.

Under the bill, the SPRS credit purchased for prior military service is equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions currently exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

The bill takes effect immediately upon enactment.

As reported, this bill is identical to Assembly Bill No. 3967, as also reported by the committee.

### FISCAL IMPACT:

The Division of Pensions and Benefits in the Department of the Treasury states that the aggregate additional State costs associated with this bill cannot be determined, since the number of service credit purchases that may be made and the demographics of those making the purchases are unknown. Any impact of the bill is limited to the 2,844 active members of the SPRS.

While the bill indicates the State, as employer, will not bear any cost associated with a purchase, the division points out that the State is responsible for the cost of post-retirement medical benefits for SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner. The annual cost to the State for post-retirement benefits under NJ DIRECT 15 in the State Health Benefits Program for a member and spouse with no federal Medicare coverage is \$20,713. The bill also

provides that the purchase cost to the member does not include any costs associated with a cost-of-living adjustment (COLA). Since the payment of a COLA has been suspended by P.L.2011, c.78, it is not a cost factor associated with the bill.

In addition, the division indicates informally that actuaries note there may be an unknown, hidden cost to the State in certain instances because unlike the purchases permitted under PERS, for example, wherein the purchase increases a number used in the calculation of the retirement benefit along a level continuum, the SPRS benefit has a step up in benefit at 25 or more years. The SPRS members with 20 years of service may retire on a benefit of 50 percent of compensation while those with 25 years may retire on a benefit of 65 percent of compensation. At the time a SPRS member makes a purchase of credit for military time, it will not be known whether the purchase contributes to that jump from 50 percent to 65 percent. The actuaries point out that it is hard to establish purchase factors that will assure there is no cost to the State.

The division estimates that first year data processing costs associated with implementation of the bill may total \$300,000.

# ASSEMBLY, No. 3967

## STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED APRIL 4, 2013

**Sponsored by:**

**Assemblyman WAYNE P. DEANGELO**

**District 14 (Mercer and Middlesex)**

**Assemblyman DECLAN J. O'SCANLON, JR.**

**District 13 (Monmouth)**

**Assemblywoman CLEOPATRA G. TUCKER**

**District 28 (Essex)**

**Assemblywoman CAROLINE CASAGRANDE**

**District 11 (Monmouth)**

**Assemblyman DAVID P. RIBLE**

**District 30 (Monmouth and Ocean)**

**Co-Sponsored by:**

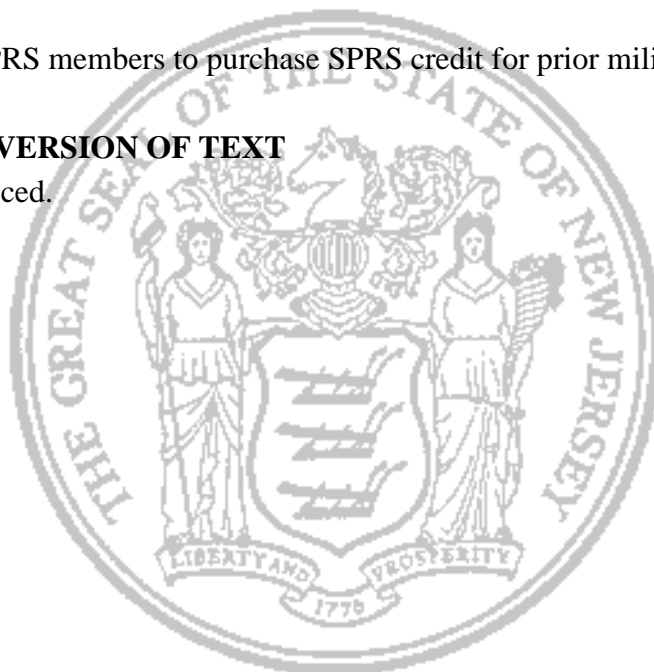
**Assemblymen Wilson, Andrzejczak, Diegnan, Benson, A.M.Bucco, Albano,  
Chivukula, Assemblywoman Quijano and Assemblyman McKeon**

**SYNOPSIS**

Allows SPRS members to purchase SPRS credit for prior military service.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/21/2013)**

1 AN ACT concerning the purchase of service credit by members of  
2 the State Police Retirement System for military service in the  
3 United States Armed Forces and amending and supplementing  
4 P.L.1965, c.89 (C.53:5A-1 et seq.).

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

8  
9 1. Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended to read  
10 as follows:

11 3. As used in this act:

12 a. "Aggregate contributions" means the sum of all the amounts,  
13 deducted from the salary of a member or contributed by him or on  
14 his behalf, standing to the credit of his individual account in the  
15 Annuity Savings Fund. Interest credited on contributions to the  
16 former "State Police Retirement and Benevolent Fund" shall be  
17 included in a member's aggregate contributions.

18 b. "Annuity" means payments for life derived from the  
19 aggregate contributions of a member.

20 c. "Annuity reserve" means the present value of all payments  
21 to be made on account of any annuity or benefit in lieu of an  
22 annuity, computed upon the basis of such mortality tables  
23 recommended by the actuary as the board of trustees adopts and  
24 regular interest.

25 d. "Beneficiary" means any person entitled to receive any  
26 benefit pursuant to the provisions of this act by reason of the death  
27 of a member or retirant.

28 e. "Board of trustees" or "board" means the board provided for  
29 in section 30 of this act.

30 f. "Child" means a deceased member's or retirant's unmarried  
31 child either (a) under the age of 18 or (b) of any age who, at the  
32 time of the member's or retirant's death, is disabled because of an  
33 intellectual disability or physical incapacity, is unable to do any  
34 substantial, gainful work because of the impairment and his  
35 impairment has lasted or can be expected to last for a continuous  
36 period of not less than 12 months, as affirmed by the medical board.

37 g. "Creditable service" means service rendered for which credit  
38 is allowed on the basis of contributions made by the member or the  
39 State.

40 h. "Parent" means the parent of a member who was receiving at  
41 least one-half of his support from the member in the 12-month  
42 period immediately preceding the member's death or the accident  
43 which was the direct cause of the member's death. The dependency  
44 of such a parent will be considered terminated by marriage of 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.**

**Matter underlined thus is new matter.**

1 parent subsequent to the death of the member.

2 i. (1) "Final compensation" means the average compensation  
3 received by the member in the last 12 months of creditable service  
4 preceding his retirement or death. Such term includes the value of  
5 the member's maintenance allowance for this same period.

6 (2) In the case of a person who becomes a member of the  
7 retirement system on or after the effective date of P.L.2010, c.1,  
8 "final compensation" means the average annual compensation for  
9 service for which contributions are made during any three fiscal  
10 years of membership providing the largest possible benefit to the  
11 member or the member's beneficiary. Such term includes the value  
12 of the member's maintenance allowance for this same period.

13 j. (1) "Final salary" means the average salary received by the  
14 member in the last 12 months of creditable service preceding his  
15 retirement or death. Such term shall not include the value of the  
16 member's maintenance allowance.

17 (2) In the case of a person who becomes a member of the  
18 retirement system on or after the effective date of P.L.2010, c.1,  
19 "final salary" means the average annual salary for service for which  
20 contributions are made during any three fiscal years of membership  
21 providing the largest possible benefit to the member or the  
22 member's beneficiary. Such term shall not include the value of the  
23 member's maintenance allowance.

24 k. "Fiscal year" means any year commencing with July 1 and  
25 ending with June 30 next following.

26 l. "Medical board" means the board of physicians provided for  
27 in section 30 of this act.

28 m. "Member" means any full-time, commissioned officer, non-  
29 commissioned officer or trooper of the Division of State Police of  
30 the Department of Law and Public Safety of the State of New Jersey  
31 enrolled in the retirement system established by this act.

32 n. "Pension" means payment for life derived from contributions  
33 by the State.

34 o. "Pension reserve" means the present value of all payments to  
35 be made on account of any pension or benefit in lieu of any pension  
36 computed on the basis of such mortality tables recommended by the  
37 actuary as shall be adopted by the board of trustees and regular  
38 interest.

39 p. "Regular interest" means interest as determined by the State  
40 Treasurer, after consultation with the Directors of the Divisions of  
41 Investment and Pensions, the board of trustees and the actuary. It  
42 shall bear a reasonable relationship to the percentage rate of  
43 earnings on investments based on the market value of the assets but  
44 shall not exceed the assumed percentage rate of increase applied to  
45 salaries plus 3%, provided however that the board of trustees shall  
46 not set the average percentage rate of increase applied to salaries  
47 below 6%.

- 1 q. "Retirant" means any former member receiving a retirement  
2 allowance as provided by this act.
- 3 r. "Retirement allowance" means the pension plus the annuity.
- 4 s. "State Police Retirement System of New Jersey," herein also  
5 referred to as the "retirement system" or "system," is the corporate  
6 name of the arrangement for the payment of retirement allowances  
7 and of the benefits under the provisions of this act including the  
8 several funds placed under said system. By that name, all of its  
9 business shall be transacted, its funds invested, warrants for moneys  
10 drawn, and payments made and all of its cash and securities and  
11 other property held. All assets held in the name of the former  
12 "State Police Retirement and Benevolent Fund" shall be transferred  
13 to the retirement system established by this act.
- 14 t. "Surviving spouse" means the person to whom a member or  
15 a retirant was married, or a domestic partner as defined in section 3  
16 of P.L.2003, c.246 (C.26:8A-3), on the date of the death of the  
17 member or retirant. The dependency of such a surviving spouse will  
18 be considered terminated by the marriage of, or establishment of a  
19 domestic partnership by, the surviving spouse subsequent to the  
20 member's or the retirant's death, except that in the event of the  
21 payment of accidental death benefits, pursuant to section 14 of  
22 P.L.1965, c.89 (C.53:5A-14), the dependency of such a surviving  
23 spouse or domestic partner will not be considered terminated by the  
24 marriage of, or establishment of a domestic partnership by, the  
25 surviving spouse subsequent to the member's death.
- 26 u. (1) "Compensation" for purposes of computing pension  
27 contributions means the base salary, for services as a member as  
28 defined in this act, which is in accordance with established salary  
29 policies of the State for all employees in the same position but shall  
30 not include individual salary adjustments which are granted  
31 primarily in anticipation of the member's retirement or additional  
32 remuneration for performing temporary duties beyond the regular  
33 workday or shift.
- 34 (2) In the case of a person who becomes a member of the  
35 retirement system on or after the effective date of P.L.2010, c.1,  
36 "compensation" means the amount of base salary equivalent to the  
37 annual maximum wage contribution base for Social Security,  
38 pursuant to the Federal Insurance Contributions Act, for services as  
39 a member as defined in this act, which is in accordance with  
40 established salary policies of the State for all employees in the same  
41 position but shall not include individual salary adjustments which  
42 are granted primarily in anticipation of the member's retirement or  
43 additional remuneration for performing temporary duties beyond  
44 the regular workday or shift.
- 45 v. "Veteran" means any person who has served in the United  
46 States Armed Forces and has or shall be discharged or released  
47 therefrom under conditions other than dishonorable, in any of the  
48 following wars or emergencies, and who has presented to the

1 retirement system evidence of such record of service in form and  
2 content satisfactory to the retirement system:

3 (1) Vietnam conflict on or after December 31, 1960, and on or  
4 prior to May 7, 1975, who shall have served at least 90 days in such  
5 active service, exclusive of any period of assignment (1) for a  
6 course of education or training under the Army Specialized  
7 Training Program or the Navy College Training Program which  
8 course was a continuation of a civilian course and was pursued to  
9 completion, or (2) as a cadet or midshipman at one of the service  
10 academies, any part of which 90 days was served between said  
11 dates; and exclusive of any service performed pursuant to the  
12 provisions of section 511 (d) of Title 10, United States Code,  
13 pursuant to an enlistment in the Army National Guard or as a  
14 reserve for service in the Army Reserve, Naval Reserve, Air Force  
15 Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided,  
16 that any person receiving an actual service-incurred injury or  
17 disability shall be classed as a veteran whether or not that person  
18 has completed the 90 days' service as herein provided;

19 (2) Lebanon peacekeeping mission, on or after September 26,  
20 1982, who has served in Lebanon or on board any ship actively  
21 engaged in patrolling the territorial waters of that nation for a  
22 period, continuous or in the aggregate, of at least 14 days  
23 commencing on or before December 1, 1987 or the date of  
24 termination of that mission, as proclaimed by the President of the  
25 United States or Congress, whichever date of termination is the  
26 latest, in such active service; provided, that any person receiving an  
27 actual service-incurred injury or disability shall be classed as a  
28 veteran whether or not that person has completed the 14 days'  
29 service as herein provided;

30 (3) Grenada peacekeeping mission, on or after October 23,  
31 1983, who has served in Grenada or on board any ship actively  
32 engaged in patrolling the territorial waters of that nation for a  
33 period, continuous or in the aggregate, of at least 14 days  
34 commencing on or before November 21, 1983 or the date of  
35 termination of that mission, as proclaimed by the President of the  
36 United States or Congress, whichever date of termination is the  
37 latest, in such active service; provided, that any person receiving an  
38 actual service-incurred injury or disability shall be classed as a  
39 veteran whether or not that person has completed the 14 days'  
40 service as herein provided;

41 (4) Panama peacekeeping mission, on or after December 20,  
42 1989 or the date of inception of that mission, as proclaimed by the  
43 President of the United States or Congress, whichever date of  
44 inception is earliest, who has served in Panama or on board any ship  
45 actively engaged in patrolling the territorial waters of that nation for  
46 a period, continuous or in the aggregate, of at least 14 days  
47 commencing on or before January 31, 1990 or the date of  
48 termination of that mission, as proclaimed by the President of the



1 United States or Congress, whichever date of termination is the  
2 latest, in such active service; provided, that any person receiving an  
3 actual service-incurred injury or disability shall be classed as a  
4 veteran whether or not that person has completed the 14 days'  
5 service as herein provided;

6 (5) Operation "Desert Shield/Desert Storm" mission in the  
7 Arabian peninsula and the Persian Gulf, on or after August 2, 1990  
8 or the date of inception of that operation, as proclaimed by the  
9 President of the United States or Congress, whichever date of  
10 inception is earliest, who has served in the Arabian peninsula or on  
11 board any ship actively engaged in patrolling the Persian Gulf for a  
12 period, continuous or in the aggregate, of at least 14 days  
13 commencing on or before the date of termination of that mission, as  
14 proclaimed by the President of the United States or Congress,  
15 whichever date of termination is the latest, in such active service;  
16 provided, that any person receiving an actual service-incurred injury  
17 or disability shall be classed as a veteran whether or not that person  
18 has completed the 14 days' service as herein provided;

19 (6) Operation Northern Watch and Operation Southern Watch,  
20 on or after August 27, 1992, or the date of inception of that  
21 operation, as proclaimed by the President of the United States,  
22 Congress or United States Secretary of Defense, whichever date of  
23 inception is earliest, who served in the theater of operation,  
24 including in the Arabian peninsula and the Persian Gulf, and in  
25 direct support of that operation for a period, continuously or in the  
26 aggregate, of at least 14 days in such active service, commencing on  
27 or before the date of termination of that operation, as proclaimed by  
28 the President of the United States, Congress or United States  
29 Secretary of Defense, whichever date of termination is the latest;  
30 provided, that any person receiving an actual service-incurred injury  
31 or disability while engaged in such service shall be classed as a  
32 veteran whether or not that person has completed the 14 days'  
33 service as herein provided;

34 (7) Operation "Restore Hope" in Somalia, on or after December  
35 5, 1992, or the date of inception of that operation as proclaimed by  
36 the President of the United States or Congress, whichever date is  
37 earliest, who has served in Somalia or on board any ship actively  
38 engaged in patrolling the territorial waters of that nation for a  
39 period, continuously or in the aggregate, of at least 14 days in such  
40 active service commencing on or before March 31, 1994; provided  
41 that any person receiving an actual service-incurred injury or  
42 disability shall be classed as a veteran whether or not that person  
43 has completed the 14-day service as herein provided;

44 (8) Operations "Joint Endeavor" and "Joint Guard" in the  
45 Republic of Bosnia and Herzegovina, on or after November 20,  
46 1995, who served in such active service in direct support of one or  
47 both of the operations for at least 14 days, continuously or in the  
48 aggregate, commencing on or before June 20, 1998, and (1) was

1 deployed in that nation or in another area in the region, or (2) was  
2 on board a United States naval vessel operating in the Adriatic Sea,  
3 or (3) operated in airspace above the Republic of Bosnia and  
4 Herzegovina; provided that any person receiving an actual service-  
5 incurred injury or disability shall be classed as a veteran whether or  
6 not that person completed the 14-day service requirement;

7 (9) Operation "Enduring Freedom", on or after September 11,  
8 2001, who served in a theater of operation and in direct support of  
9 that operation for a period, continuously or in the aggregate, of at  
10 least 14 days in such active service commencing on or before the  
11 date the President of the United States or the United States  
12 Secretary of Defense designates as the termination date of that  
13 operation; provided, that any person receiving an actual service-  
14 incurred injury or disability while engaged in such service shall be  
15 classed as a veteran whether or not that person has completed the 14  
16 days' service as herein provided; and

17 (10) Operation "Iraqi Freedom", on or after the date the President  
18 of the United States or the United States Secretary of Defense  
19 designates as the inception date of that operation, who served in  
20 Iraq or in another area in the region in direct support of that  
21 operation for a period, continuously or in the aggregate, of at least  
22 14 days in such active service commencing on or before the date the  
23 President of the United States or the United States Secretary of  
24 Defense designates as the termination date of that operation;  
25 provided, that any person receiving an actual service-incurred injury  
26 or disability while engaged in such service shall be classed as a  
27 veteran whether or not that person has completed the 14 days'  
28 service as herein provided.

29 (cf: P.L.2010, c.50, s.80)

30  
31 2. (New section) A member may file a detailed statement of  
32 military service in the Armed Forces of the United States, rendered  
33 prior to becoming a member, for which the member desires credit,  
34 and of such other facts as the retirement system may require. The  
35 member may purchase credit for all or a portion of the service  
36 evidenced in the statement up to the nearest number of years and  
37 months, but not exceeding 10 years, provided however, that a  
38 member purchasing that maximum credit may purchase up to five  
39 additional years for additional military service qualifying the  
40 member as a veteran as defined in section 3 of P.L.1965, c.89  
41 (C.53:5A-3). If such credit is established, it shall be considered the  
42 same as creditable service as a full-time commissioned officer,  
43 noncommissioned officer or trooper rendered as a member. No  
44 application shall be accepted for the purchase of credit for the  
45 service if, at the time of application, the member has a vested right  
46 to retirement benefits in another retirement system based in whole  
47 or in part upon that service. The member may purchase credit for  
48 the service by paying into the annuity savings fund the amount

1 required by applying the factor, supplied by the actuary as being  
2 applicable to the member's age at the time of the purchase, to the  
3 member's salary at that time, or to the highest annual compensation  
4 for service in this State for which contributions were made during  
5 any prior fiscal year of membership, whichever is greater. The  
6 purchase may be made in regular installments, equal to at least 1/2  
7 of the full normal contribution to the retirement system, over a  
8 maximum period of 10 years.

9 The employer of a member who applies, pursuant to this section,  
10 to purchase credit for military service in the Armed Forces of the  
11 United States shall not be liable for any payment to the retirement  
12 system on behalf of the member for the purchase of this credit. The  
13 Adjutant General of the Department of Military and Veterans'  
14 Affairs shall be responsible for determining whether any person  
15 seeking to be considered a "veteran" under section 3 of P.L.1965,  
16 c.89 (C.53:5A-3), for the purpose of purchasing military service  
17 credit, meets the criteria set forth therein and adjudicating an appeal  
18 from any person disputing this determination. The determination of  
19 the Adjutant General shall be binding upon the Division of Pensions  
20 and Benefits.

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

26 Any member electing to make a purchase pursuant to this section  
27 who retires prior to completing payments as agreed with the  
28 retirement system will receive pro rata credit for the purchase prior  
29 to the date of retirement, but if the member so elects at the time of  
30 retirement, the member may make the additional lump sum payment  
31 required at that time to provide full credit.

32

33 3. This act shall take effect immediately.

34

35

36

#### STATEMENT

37

38 This bill allows a member of the New Jersey State Police  
39 Retirement System (SPRS) to purchase credit in the retirement  
40 system for military service in the Armed Forces of the United States  
41 prior to becoming a member. A member may purchase credit for all  
42 or a portion of such service, up to 10 years, plus an additional 5  
43 years if the member qualifies as a veteran with certain wartime  
44 military service. Under the bill, the SPRS credit purchased for prior  
45 military service would be equivalent to service in the State Police as  
46 a member of SPRS in qualifying for retirement benefits.

47 Similar provisions exist for members of the State's Police and  
48 Firemen's Retirement System (PFRS), Public Employees'

**A3967 DEANGELO, O'SCANLON**

9

- 1 Retirement System (PERS), and Teachers' Pension and Annuity
- 2 Fund (TPAF).

ASSEMBLY MILITARY AND VETERANS' AFFAIRS  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3967**

**STATE OF NEW JERSEY**

DATED: MAY 13, 2013

The Assembly Military and Veterans' Affairs Committee reports favorably Assembly, No. 3967.

This bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. A member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

This bill is identical to Senate Bill No. 1122 (1R) of 2012-2013.

**FISCAL NOTE**  
**ASSEMBLY, No. 3967**  
**STATE OF NEW JERSEY**  
**215th LEGISLATURE**

DATED: JUNE 6, 2013

**SUMMARY**

**Synopsis:** Allows State Police Retirement System (SPRS) members to purchase SPRS credit for prior military service.

**Type of Impact:** State General Fund.

**Agencies Affected:** Department of the Treasury, Division of Pensions and Benefits.

<b>Fiscal Impact</b>	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>
<b>State Cost</b>	Indeterminate – See comments below		

- The Office of Legislative Services **concurs** with the Executive estimate, agreeing that the nature of the State Police Retirement System (SPRS) benefit calculation may contribute to the difficulty in assessing a true cost of an SPRS purchase but noting that a calculation is already done for the same type of purchase by members of the Police and Firemen’s Retirement System with the same retirement benefits.
- This bill allows a member of the New Jersey SPRS to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member.
- The SPRS member is responsible for the full cost of a purchase and the prior purchased military service credit will be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.
- The Division of Pensions and Benefits in the Department of the Treasury provides no estimate of costs to the State because the number of service credit purchasers and their demographic characteristics are unknown.
- The division points out that the State is responsible for the cost of post-retirement medical benefits of SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner.

- The division estimates data processing implementation costs at \$300,000.

## **BILL DESCRIPTION**

Assembly Bill No. 3967 of 2013 allows a member of the New Jersey SPRS to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member. The member is responsible for the full cost of a purchase and may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service. Under the bill, the SPRS credit purchased for prior military service would be equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar purchase provisions exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Division of Pensions and Benefits in the Department of the Treasury provides no estimate of costs to the State, stating, "The aggregate additional State costs associated with this bill cannot be measured since the number of service credit purchases that would be made as a result of this bill's enactment and the demographics of those making the purchases is not known." Any impact of the bill would be limited to active members of the SPRS which currently number 2,844. While the bill indicates that the State, as the employer, will not bear any cost associated with a purchase, the division points out that the State is responsible for the cost of post-retirement medical benefits for SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner. The annual cost to the State for post-retirement benefits under NJ DIRECT 15 in the State Health Benefits Program for a member and spouse with no federal Medicare coverage is \$20,713. The bill also provides that the purchase cost to the member does not include any costs associated with a cost-of-living adjustment (COLA). Since the payment of a COLA has been suspended by P.L.2011, c.78, it is not currently a cost factor associated with this bill.

In addition, the division indicates informally that the actuaries note that there may be an unknown, hidden cost to the State in certain instances because unlike the purchases permitted to in the PERS, for example, wherein the purchase increases a number used in the calculation of the retirement benefit along a level continuum, the SPRS benefit has a step up in benefit at 25 or more years. The SPRS members with 20 years of service may retire on a benefit of 50 percent of compensation while those with 25 years may retire on a benefit of 65 percent of compensation. At the time a SPRS member makes a purchase of credit for military time, it will not be known whether the purchase contributes to that significant jump from 50 percent to 65 percent. The actuaries point out that it is hard to establish purchase factors that will assure that there is "no cost to the employer," that is, no cost to the State.

First year implementation cost is estimated to be \$300,000.

***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services concurs with the Executive estimate and agrees that the nature of the SPRS benefit calculation may contribute to the difficulty in assessing a true cost of an SPRS purchase, but notes that the same type of purchase is permitted for members of the PFRS whose members have the exact same step up in calculation of benefits if enrolled before June 28, 2011. Members enrolled thereafter have a step up from the 50 percent to 60 percent of compensation.

*Section: State Government*

*Analyst: Pamela H. Espenshade  
Principal Counsel*

*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).



# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 3967

# STATE OF NEW JERSEY

DATED: JUNE 6, 2013

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3967.

The bill allows a member of the New Jersey State Police Retirement System (SPRS) to purchase credit in the retirement system for military service in the Armed Forces of the United States prior to becoming a member.

The bill provides that a member may purchase credit for all or a portion of such service, up to 10 years, plus an additional 5 years if the member qualifies as a veteran with certain wartime military service.

Under the bill, the SPRS credit purchased for prior military service is equivalent to service in the State Police as a member of SPRS in qualifying for retirement benefits.

Similar provisions currently exist for members of the State's Police and Firemen's Retirement System (PFRS), Public Employees' Retirement System (PERS), and Teachers' Pension and Annuity Fund (TPAF).

The bill takes effect immediately upon enactment.

As reported, this bill is identical to Senate Bill No. 1122 (1R), as also reported by the committee.

#### FISCAL IMPACT:

The Division of Pensions and Benefits in the Department of the Treasury states that the aggregate additional State costs associated with this bill cannot be determined, since the number of service credit purchases that may be made and the demographics of those making the purchases are unknown. Any impact of the bill is limited to the 2,844 active members of the SPRS.

While the bill indicates the State, as employer, will not bear any cost associated with a purchase, the division points out that the State is responsible for the cost of post-retirement medical benefits for SPRS members retiring with 25 or more years of service and a purchase of credit for military service may qualify a member for those benefits sooner. The annual cost to the State for post-retirement benefits under NJ DIRECT 15 in the State Health Benefits Program for a member and spouse with no federal Medicare coverage is \$20,713. The bill also provides that the purchase cost to the member does not include any costs associated with a cost-of-living adjustment (COLA). Since the

payment of a COLA has been suspended by P.L.2011, c.78, it is not a cost factor associated with the bill.

In addition, the division indicates informally that actuaries note there may be an unknown, hidden cost to the State in certain instances because unlike the purchases permitted under PERS, for example, wherein the purchase increases a number used in the calculation of the retirement benefit along a level continuum, the SPRS benefit has a step up in benefit at 25 or more years. The SPRS members with 20 years of service may retire on a benefit of 50 percent of compensation while those with 25 years may retire on a benefit of 65 percent of compensation. At the time a SPRS member makes a purchase of credit for military time, it will not be known whether the purchase contributes to that jump from 50 percent to 65 percent. The actuaries point out that it is hard to establish purchase factors that will assure there is no cost to the State.

The division estimates that first year data processing costs associated with implementation of the bill may total \$300,000.