CHAPTER ... LAWS OF N. J. 19..
APPROVED ...

ASSEMBLY, No. 952

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 20, 1967

By Assemblymen DODD, OWENS, VOHDIN, ADDONIZIO and POLICASTRO

(Without Reference)

AN ACT to provide an alternate program of benefits for certain members of the faculty of the Newark College of Engineering, in lieu of benefits now provided.

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

1. (a) Notwithstanding the provisions of any other law, within 180 days after the effective date of this act, the Newark College of Engineering shall provide an alternate program of benefits for certain employees in lieu of benefits under the Teachers' Pension and Annuity Fund or the Group Annuity Plan, which program shall be known as the alternate benefit program and which shall provide for individual retirement annuity contracts, both fixed and variable in nature, to become the property of the participants in said program individually; and group contracts providing life insurance which, notwithstanding any other provision of law, shall be in an amount equal to 1½ times the base annual salary of said participant in the event of death prior to retirement; and which may provide insurance coverage after retirement in an amount not to exceed 3/16 of the participant's base annual salary at the time of retirement; and disability benefits for all such participants. The Board of Trustees of the Newark College of Engineering shall perform or provide for performance of all things necessary to prepare and operate said program.

(b) The Newark College of Engineering may also provide for additional death benefit coverage in accordance with rules and regulations as adopted by the Newark College of Engineering from time to time on the basis of factors deemed appropriate by it. A

member of the alternate benefit program will be eligible to purchase the additional death benefit coverage provided that he or she selects such coverage within 1 year after the effective date of membership. A schedule of employee contributions shall be established by the Newark College of Engineering on a basis it deems appropriate which schedule shall be subject to adjustment from time to time for purpose of meeting the entire cost of the additional death benefit coverage.

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

2. All full-time faculty members, except those persons in ineligible categories designated in the regulations of the Newark College of Engineering which regulations shall be of uniform application, shall participate in the alternate benefit program, provided that no person who was in employment with the Newark College of Engineering on the effective date of this act and who was then a member of the Teachers' Pension and Annuity Fund or the Group Annuity Plan shall participate in the alternate benefit program unless he shall so elect by filing an application with the Teachers' Pension and Annuity Fund or the Group Annuity Plan within 90 days following the establishment of the alternate benefit program by the Newark College of Engineering declaring his election to participate in the alternate benefit program.

Upon such election, the Teachers' Pension and Annuity Fund or the Group Annuity Plan shall cause prompt notice of said election to be given to the Newark College of Engineering and shall transfer to the individual's account in the alternate benefit program, the amount of accumulated deductions standing to his credit in the Annuity Savings Fund of the Teachers' Pension and Annuity Fund or the employee's contributions, including interest, in the Group Annuity Plan as of date of transfer.

3. There shall also be transferred from the Contingent Reserve Fund or the pension fund of the Teachers' Pension and Annuity Fund or from the Group Annuity Plan to the individual's account in the alternate benefit program, the pension reserve required as of the date of his transfer to provide a pension for each year of service credited to the account of the member as set forth in section 36 or section 44 of chapter 37, of the laws of 1955 as amended and supple-

mented as of the effective date of this act, or for each year of service credited under the Group Annuity Plan. Such transfer from the Contingent Reserve Fund or the pension fund of the Teachers' Pension and Annuity Fund or the Group Annuity Plan shall be made at the time of the member's transfer to the alternate benefit program in the case of any such member who has then met the eligibility requirements for a pension under the aforementioned section 36 or section 44 of chapter 37, public laws of 1955 or the Group Annuity Plan. In the case of any member who elects to participate in the alternate benefit program who has not then met the eligibility requirements for a pension under section 36 or section 44 of chapter 37, public law of 1955 or under the Group Annuity Plan, the transfer from the Contingent Reserve Fund or the pension fund of the Teachers' Pension and Annuity Fund or from the Group Annuity Plan shall be effected at the time such requirements have been met, taking into account for the purpose of such eligibility requirement his years of membership service at the time of his election and his subsequent years of service as a full-time member of the faculty of the Newark College of Engineering, or at the time he shall have 10 years of credit for New Jersey service and become physically incapacitated for the performance of duty if he had been a member of the Teachers' Pension and Annuity Fund as of the date of transfer.

The annuity to be used in determining the amount of pension is the actuarial equivalent of the member's accumulated deductions transferred from the Teachers' Pension and Annuity Fund to the date the member attains 60 years of age, if subsequent to the date of election. The amount of pension is that established by formula within section 44 of chapter 37, P. L. 1955 as amended and supplemented as of the effective date of this act or under the Group Annuity Plan and changes to section 44 enacted subsequent to this act or the Group Annuity Plan shall have no application to the provisions of this act.

In the event that the eligibility requirement under section 36 of chapter 37, P. L. 1955 or under the Group Annuity Plan is changed at some future date to permit members to become eligible for such benefit prior to the completion of 15 years of service, the transfer of the reserve from the Contingent Reserve Fund or the pension fund of the Teachers' Pension and Annuity Fund or from the Group Annuity Plan shall be effected as of the date the member who had elected the alternate benefits program meets the amended eligibility requirement or the effective date of the amendment, if later.

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

4. Any person participating in the alternate benefit program shall be ineligible for membership in the Teachers' Pension and Annuity Fund or the Group Annuity Plan and any person electing to participate in the alternate benefit program shall thereby waive all rights and benefits provided by the Teachers' Pension and Annuity Fund as a member of said fund or as a participant in the Group Annuity Plan except as herein and otherwise provided by law or under the terms of the Group Annuity Plan.

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

5. The Newark College of Engineering shall deduct from the compensation of each participant in the alternate benefit program an employee contribution equal to 5% of the participant's base salary and pay this amount to the insurer or insurers for the individual's retirement annuity contract or contracts. The intervals for deductions and payments shall be determined by the Newark College of Engineering. Based on a certification by the Newark College of Engineering of the number and base salary of participants, the State shall make payments to the Newark College of Engineering as employer contributions to the alternate benefit program at a rate equal to the normal contribution made by the State on behalf of nonveteran members of the Public Employees Retirement System, which moneys the Newark College of Engineering shall pay to the designated insurer or insurers for the benefit of each participant.

6. The Board of Trustees of the Newark College of Engineering shall designate the insurer or insurers from which contracts are to be purchased under the alternate benefit program and shall approve the form and content of such contracts. In making such designation and giving such approval the board shall give due consideration to (a) the nature and extent of the rights and benefits to be provided by such contracts for employees and their beneficiaries, (b) the relation of such rights and benefits to the amount of contributions to be made under this act, (c) the suitability of such rights and benefits to the needs and interests of employees and to the interests

of the college in the recruitment and retention of employees, and (d) the ability of the designated insurer or insurers to provide such suitable rights and benefits under such contracts.

7. (a) Notwithstanding any other provisions of this act, no contributions to any retirement annuity contracts shall be made by the Newark College of Engineering until the completion of 1 year of employment and commencement of a second consecutive year of employment. Employee contributions required during this initial year of service shall be deducted and held by the Newark College of Engineering. Upon the commencement of such second year the amount of the employee contributions, and such amount of the employer contribution herein required as has not theretofore been paid for said employee, together with interest on both portions at the rate of 4% per annum, shall be paid over to the designated insurer or insurers for and on behalf of such employee. If such an employee does not commence such second year the amount of employee contributions deducted from his compensation shall be refunded to him.

(b) The provisions of subsection (a) of this section shall not apply to any employee who, at the time of initial employment, owns a retirement annuity contract or contracts determined by the Board of Trustees of the Newark College of Engineering to be substantially similar to the contracts to be purchased under the alternate benefit program and issued by the designated insurer or insurers.

8. The Board of Trustees of the Newark College of Engineering is hereby authorized to enter into agreements with each employee participating in the alternate benefit program whereby the employee agrees to take a reduction in salary with respect to amounts earned after the effective date of such agreement in return for the agreement of the Newark College of Engineering to use a corresponding amount to purchase an annuity for such employee so as to obtain the benefits afforded under section 403(b) of the Federal Internal Revenue Code, as amended. Any such agreement shall specify the amount of such reduction, the effective date thereof, and shall be legally binding and irrevocable with respect to amounts earned while the agreement is in effect; provided, however, that such agreement may be terminated after it has been in effect for a period of not less than 1 year upon notice in writing by either party, and provided further that not more than one such agreement shall be entered into during any taxable year of the employee. For the purposes of this section, any annuity or other

contract which meets the requirements of section 403(b) of the Federal Internal Revenue Code, as amended, may be utilized. The amount of the reduction in salary under any agreement entered into between the college and any employee pursuant to this section shall not exceed 10% of the employee's salary prior to such reduction.

9. The term "accumulated deductions" as used herein is as defined in section 2 of chapter 37, P. L. 1955, as amended and supplemented.

The term "pension reserve" as used herein is as defined in section 2 of chapter 37, P. L. 1955, as amended and supplemented or as it refers to the allowable credit of employer contributions which may be transferred under terms of the Group Annuity Plan.

The term "Newark College of Engineering" refers to the School for Industrial Education of Newark, New Jersey.

The term "Group Annuity Plan" refers to the Group Annuity Contract R-134 between the Board of Trustees of the Newark College of Engineering and the Prudential Insurance Company of America.

"Full-time" faculty shall be as defined by the Board of Trustees of the Newark College of Engineering by regulation of uniform application, and shall also include the President and Vice-President of the College.

10. Notwithstanding any other provision of law, any insurance company or companies, issuing policy or policies may credit the Newark College of Engineering, either directly or in the form of reduced premiums, with savings by said company or companies in the event that no brokerage commission or commissions are paid by said company or companies on the issuance of such policy or policies.

11. Any dividend or retrospective rate credit allowed by an insurance company shall be used for purposes of the alternate benefit program and shall be credited to the funds available to purchase the contracts provided for in section 1 of the act in an equitable manner.

12. No retirement, death, or other benefit shall be payable by the State or the Newark College of Engineering under the alternate benefit program. Benefits shall be payable to participating employees and their beneficiaries only by the designated insurer or insurers under the terms of the contracts.

13. This act shall take effect immediately.

STATEMENT

This bill is designed to aid the Newark College of Engineering in the recruitment of faculty who wish to continue individual retirement programs of the type begun in employment at other educational institutions.

The bill creates an alternate benefit program which will replace the Teachers' Pension and Annuity Fund or the Group Annuity Plan of the College for those affected. The program will therefore provide life and disability benefits as well as the individual retirement annuity contracts.

State payments to this alternate program will be fixed at the average contribution made by the State for members of the Public Employees' Retirement System and therefore equivalent to what the State will pay to Rutgers, the State University for those participating in a comparable alternate benefit program.

A952