

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 2094

# STATE OF NEW JERSEY

DATED: JUNE 23, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2094.

The bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by providing that there will be no contributions based on any portion of salary that is in excess of the statutory maximum salary of State cabinet officers.

The ABP is a defined contribution pension system whose members are the faculty of New Jersey public institutions of higher education. Currently, the State contributes 8% of the ABP member's base salary and the member contributes 5%. The bill provides that the State will contribute at a rate equal to 8% of the member's base salary except the amount of the contribution may not exceed 8% of the maximum salary for department officers as established by law. N.J.S.A. 52:14-15.107 sets the maximum annual salary of department officers at \$141,000 for calendar year 2002 and thereafter.

#### FISCAL IMPACT:

This bill establishes a limit on the State's employer contributions to the Alternate Benefit Program (ABP) by reducing the maximum salary on which the State will make employer contributions for the Alternate Benefit Program (ABP) from the current level of \$245,000 which is the federal maximum to \$141,000 which is the maximum allowable compensation for Executive Branch Cabinet Officers pursuant to P.L.1974, c.55 (C.52:14-15.107). The Office of Management and Budget estimates that the reduction in the employer contribution will provide savings to the State General Fund of \$2.543 million based on calculations using actual salaries provided by the colleges for their FY 2010 budgets.

The Office of Legislative Services (OLS) notes that the reduction in the contribution applies only to the employer portion of the contribution. Employee contributions remain unchanged. Employees are required to make a five percent contribution to the ABP based on their actual base salary, not limited to maximum salary set for employer contributions. In addition, employer payments for life insurance and temporary disability benefits, which are provided for under separate contract, remain unchanged and are required to be based on the employee's actual base salary, limited to maximum salary

set for employer contributions. In addition, the OLS notes that some or all of these savings may be delayed until collectively negotiated contracts that are currently in effect expire, depending on the number of contracts that specify an employer contribution rate.