

ASSEMBLY, No. 556

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblywoman TURNER

1 AN ACT concerning the vesting of retirement benefits in
2 State-administered retirement systems and revising parts of the
3 statutory law.

4

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

7

8 1. N.J.S.18A:66-36 is amended to read as follows:

9 18A:66-36. Should a member of the Teachers' Pension and Annuity
10 Fund, after having completed [10] five years of service, be separated
11 voluntarily or involuntarily from the service, before reaching service
12 retirement age, and not by removal for conduct unbecoming a teacher
13 or other just cause under the provisions of [sections] N.J.S.18A:28-4
14 to 18A:28-5 and N.J.S.18A:28-9 to 18A:28-13 inclusive, such person
15 may elect to receive, in lieu of the payment provided in [section]
16 N.J.S.18A:66-34:

17 a. The payments provided for in [section] N.J.S.18A:66-37, if he
18 so qualified under said section; or

19 b. A deferred retirement allowance beginning at age 60, which shall
20 be made up of an annuity derived from the member's accumulated
21 deductions at the time of his severance from the service, and a pension
22 in the amount which, when added to the member's annuity, will
23 provide a total retirement allowance of 1/70 of his final compensation
24 for each year of service credited as Class A service and 1/60 of his
25 final compensation for each year of service credited as class B service,
26 calculated in accordance with [section] N.J.S.18A:66-44, with
27 optional privileges provided for in [section] N.J.S.18A:66-47 if he
28 exercises such optional privilege at least 30 days before his attainment
29 of the normal retirement age; provided, that such election is
30 communicated by such member to the retirement system in writing
31 stating at what time subsequent to the execution and filing thereof he
32 desires to be retired; and provided, further, that such member may

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

Matter underlined thus is new matter.

1 later elect: (1) to receive the payments provided for in [section]
2 N.J.S.18A:66-37, if he had qualified under that section at the time of
3 leaving service, except that in order to avail himself of the optional
4 privileges pursuant to [section] N.J.S.18A:66-47, he must exercise
5 such optional privilege at least 30 days before the effective date of his
6 retirement; or (2) to withdraw his accumulated deductions with
7 interest as provided in [section] N.J.S.18A:66-34. If such member
8 shall die before attaining service retirement age, then his accumulated
9 deductions, plus regular interest after January 1, 1956, shall be paid in
10 accordance with [section] N.J.S.18A:66-38, and, in addition if such
11 member shall die after attaining service retirement age and has not
12 withdrawn his accumulated deductions, an amount equal to 3/16 of the
13 compensation upon which contributions by the member to the annuity
14 savings fund were based in the last year of creditable service shall be
15 paid to such member's beneficiary.

16 Any member who, having elected to receive a deferred retirement
17 allowance, again becomes an employee covered by the retirement
18 system while under the age of 60, shall thereupon be reenrolled. If he
19 had discontinued his service for more than [2] two consecutive years,
20 subsequent contributions shall be at a rate applicable to the age
21 resulting from the subtraction of his years of creditable service at the
22 time of his last discontinuance of contributing membership from his
23 age at the time of his return to service. He shall be credited with all
24 service as a member standing to his credit at the time of his election to
25 receive a deferred retirement allowance.

26 (cf: P.L.1981, c.177, s.1)

27

28 2. Section 11 of P.L.1973, c.140 (C.43:6A-11) is amended to read
29 as follows:

30 11. Should any member resign, or fail of reappointment who shall
31 have served at least [5] five years successively as a judge of the
32 several courts [and at least 10 years in the aggregate, including such
33 service as a judge or in office, position, or employment of this State or
34 a county, municipality, board of education, or public agency of this
35 State,]before reaching age 60, and not by removal for cause on
36 charges of misconduct or delinquency, he may elect to receive:

37 a. All of his accumulated deductions standing to the credit of his
38 individual account in the annuity savings fund, or

39 b. A deferred retirement allowance, beginning on the first day of
40 the month following his attainment of age 60 and the filing of an
41 application therefor, which shall consist of an annuity derived from the
42 accumulated deductions standing to the credit of the member's account
43 in the annuity savings fund at the time of his severance from service
44 together with regular interest, and a pension which, when added to the
45 annuity, will produce a retirement allowance in the amount of 2% of
46 his final salary multiplied by his number of years of service up to 25

1 plus 1% of his final salary multiplied by his number of years of service
2 over 25, provided that such inactive member may elect to receive
3 payments provided under section 10 if he had qualified under that
4 section at the time of leaving service, except that in order to avail
5 himself of the option, he must exercise such option at least [1] one
6 month before the effective date of his retirement. If such inactive
7 member shall die after attaining age 60 but before filing an application
8 for retirement benefits pursuant to this section or section 10 and for
9 which benefits he would have qualified, or in the event of death after
10 retirement, there shall be paid to such member's beneficiary the death
11 benefits prescribed by section 19.

12 No beneficiary shall be eligible for a pension or survivor's benefit if
13 the member who elected to receive a deferred pension prior to [the
14 effective date of this amendatory and supplementary act] January 19,
15 1982 or who elects to receive a deferred retirement allowance
16 following [the effective date of this amendatory and supplementary
17 act] that date shall die before attaining age 60. Upon receipt of the
18 proper proofs of death, the beneficiary of a member who elects to
19 receive a deferred retirement allowance shall be paid the member's
20 accumulated deductions at the time of death together with regular
21 interest.

22 Any member who, having elected to receive a deferred pension or
23 deferred retirement allowance, again becomes a member while under
24 the age of 60, shall thereupon be reenrolled. He shall be credited with
25 all service as a member standing to his credit at the time of his election
26 to receive a deferred pension or deferred retirement allowance.

27 (cf: P.L.1981, c.470, s.5)

28

29 3. Section 1 of P.L.1941, c. 220 (C.43:7-7) is amended to read as
30 follows:

31 1. a. Hereafter, any such prison officer, as hereinafter set forth,
32 who shall have served in the employ of the State of New Jersey
33 continuously, or in the aggregate, for a period of 20 years, and who
34 shall have attained the age of 55 years, shall, upon his own application,
35 be retired on one-half pay, or 2% of his average final compensation
36 multiplied by the number of years of his creditable service up to 30
37 plus 1% of his average final compensation multiplied by the number of
38 years of creditable service in excess of 30 years rendered prior to his
39 reaching age 65, whichever is greater.

40 b. A prison officer who is an active member of the pension fund
41 and who has established credit in the pension fund for [10] five or
42 more years of service, but shall not have attained the age of 55 years,
43 may, on his own application, be retired and apply for a deferred
44 pension. Upon attainment of 55 years of age, he shall be entitled to a
45 pension in the amount of 2% of his average final compensation
46 multiplied by the number of years of his creditable service up to 30

1 plus 1% of his average final compensation multiplied by the number of
2 years of creditable service in excess of 30 years.

3 (cf: P.L.1981, c.177, s.3)

4

5 4. Section 38 of P.L.1954, c.84 (C.43:15A-38) is amended to read
6 as follows:

7 38. Should a member of the Public Employees' Retirement System,
8 after having completed [10] five years of service, be separated
9 voluntarily or involuntarily from the service, before reaching service
10 retirement age, and not by removal for cause on charges of misconduct
11 or delinquency, such person may elect to receive:

12 (a) The payments provided for in subsection b. of section [41b.]41
13 of this act, if he so qualifies under said [section,]subsection; or[;]

14 (b) A deferred retirement allowance, beginning at the retirement
15 age, which shall be made up of an annuity derived from the
16 accumulated deductions standing to the credit of the individual
17 member's account in the annuity savings fund at the time of his
18 severance from the service together with regular interest, and a
19 pension which when added to the annuity will produce a total
20 retirement allowance of 1/70 of his final compensation for each year
21 of service credited as Class A service and 1/60 of his final
22 compensation for each year of service credited as Class B service,
23 calculated in accordance with section 48 of this act, with optional
24 privileges provided for in section 50 of this act if he exercises such
25 optional privilege at least 30 days before his attainment of the normal
26 retirement age; provided, that such election is communicated by such
27 member to the retirement system in writing stating at what time
28 subsequent to the execution and filing thereof he desires to be retired;
29 and provided further, that such member, as referred to in this
30 subsection may later elect: (1) to receive the payments provided for
31 in subsection b. of section [41b.]41 of this act, if he had qualified
32 under that [section] subsection at the time of leaving service, except
33 that in order to avail himself of the optional privileges pursuant to
34 section 50, he must exercise such optional privilege at least 30 days
35 before the effective date of his retirement; or (2) to withdraw his
36 accumulated deductions with interest as provided in subsection a. of
37 section [41a] 41. If such member shall die before attaining service
38 retirement age then his accumulated deductions, plus regular interest,
39 shall be paid in accordance with subsection c. of section [41c.]41; or
40 if such member shall die after attaining service retirement age and has
41 not withdrawn his accumulated deductions, an amount equal to 3/16
42 of the compensation received by the member in the last year of
43 creditable service shall be paid to such person, if living, as he shall
44 have nominated by written designation duly executed and filed with the
45 retirement system; otherwise to the executor or administrator of the

1 member's estate.

2 (cf: P.L.1981, c.177, s.4)

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4 5. Section 5 of P.L.1972, c.167 (C.43:15A-139) is amended to
5 read as follows:

6 5. A member, who shall have served as a member of the
7 Legislature for at least [8] five years and having made contributions
8 therefor to the retirement system and who ceases to be a member of
9 the Legislature for any reason other than death before reaching age 60,
10 may, upon termination of such service as a member of the Legislature
11 and all other public service covered by the retirement system elect to
12 receive, in lieu of the payment provided in subsection a. of section 41
13 of P.L.1954, c.84[, §41a] (C.[43:15A-41a] 43:15A-41): (a) the
14 payments provided for in section 38 of P.L.1954, c.84[, §38]
15 (C.43:15A-38) if he so qualifies under said section, or (b) the
16 payments provided for in subsection b. of section 41 of P.L.1954,
17 c.84[, §41b] (C.[43:15A-41b] 43:15A-41) if he so qualifies under said
18 [section] subsection, or (c) a deferred retirement allowance beginning
19 on the first day of the month following his attainment of age 60 and
20 the filing of an application therefor, which shall be made up of an
21 annuity derived from the member's accumulated deductions at the time
22 of termination of his service as a member of the Legislature and a
23 pension in the amount which, when added to the member's annuity,
24 will provide a total retirement allowance of 3% of final compensation
25 as a legislator, for each year of creditable service as a member of the
26 Legislature.

27 The benefit payable pursuant to this section shall be subject to the
28 maximum allowance provisions of section 4 of [this supplementary
29 act] P.L.1972, c.167 (C.43:15A-138).

30 The provisions for the exercise of optional privileges, the payment
31 of accumulated contributions in the event of death before attaining
32 service retirement age, and the death benefit in the event of death
33 following retirement, shall be those stipulated in section 38 of
34 P.L.1954, c.84[, §38] (C.43:15A-38) in the case of any member of the
35 Legislature retiring under the provisions of this section.

36 (cf: P.L.1972, c.167, s.5)

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38 6. Section 17 of P.L.1964, c.241 (C.43:16A-11.2) is amended to
39 read as follows:

40 17. Should a member, after having established [10] five years of
41 creditable service, be separated voluntarily or involuntarily from the
42 service, before reaching age 55, and not by removal for cause on
43 charges of misconduct or delinquency, such person may elect to
44 receive the payments provided for in section 11 of P.L.1944, c.255 or
45 section 16 of P.L.1964, c.241, or a deferred retirement allowance,
46 beginning on the first day of the month following his attainment of age

1 55 and the filing of an application therefor, which shall consist of:

2 (1) An annuity which shall be the actuarial equivalent of his
3 aggregate contributions at the time of his severance from the service
4 and

5 (2) A pension in the amount which, when added to the member's
6 annuity, will provide a total retirement allowance of 2% of his average
7 final compensation multiplied by the number of years of his creditable
8 service up to 30 plus 1% of his average final compensation multiplied
9 by the number of years of creditable service over 30, provided that
10 such inactive member may elect to receive payments provided under
11 section 11 of P.L.1944, c.255 or section 16 of P.L.1964, c.241 if he
12 had qualified under that section at the time of leaving service, except
13 that in order to avail himself of the option, he must exercise such
14 option at least 30 days before the effective date of his retirement. If
15 such inactive member shall die before attaining age 55, his aggregate
16 contributions shall be paid in accordance with section 11 of P.L.1944,
17 c.255 and, in addition if such inactive member shall die after attaining
18 age 55 but before filing an application for retirement benefits pursuant
19 to this section or section 16 of P.L.1964, c.241 and has not withdrawn
20 his aggregate contributions, or in the event of death after retirement,
21 an amount equal to one-half of the compensation upon which
22 contributions by the member to the annuity savings fund were based
23 in the last year of creditable service shall be paid to such member's
24 beneficiary.

25 Any member who, having elected to receive a deferred retirement
26 allowance, again becomes an employee covered by the retirement
27 system while under the age of 55, shall thereupon be reenrolled. If he
28 had discontinued his service for more than [2] two consecutive years,
29 subsequent contributions shall be at his former rate increased for the
30 years of his inactive membership. He shall be credited with all service
31 as a member standing to his credit at the time of his election to
32 receive a deferred retirement allowance.

33 (cf: P.L.1981, c.177, s.5)

34

35 7. Section 28 of P.L.1965, c.89 (C.53:5A-28) is amended to read
36 as follows:

37 28. a. Should a member, after having established [10] five years
38 of creditable service as a full time commissioned officer,
39 noncommissioned officer or trooper of the Division of State Police, be
40 separated voluntarily or involuntarily from the service, before reaching
41 age 55, and not by removal for cause on charges of misconduct or
42 delinquency, such person may elect to receive the payments provided
43 for in section 26 or 27 or a deferred retirement allowance, beginning
44 on the first day of the month following his attainment of age 55 and
45 the filing of an application therefor, which shall consist of:

46 (1) An annuity which shall be the actuarial equivalent of his

1 aggregate contributions at the time of his severance from the service,
2 and

3 (2) A pension in the amount which, when added to the member's
4 annuity, will provide a total retirement allowance of 2% of his final
5 compensation multiplied by his number of years of creditable service
6 up to 25 plus 1% of his final compensation multiplied by his number
7 of years of creditable service over 25, provided that such inactive
8 member may elect to receive payments provided under section 26 or
9 27 if he had qualified under that latter section at the time of leaving
10 service, except that in order to avail himself of the option, he must
11 exercise such option at least [1] one month before the effective date
12 of his retirement. If such inactive member shall die before attaining
13 age 55, his aggregate contributions shall be paid in accordance with
14 section 26 and, in addition if such inactive member shall die after
15 attaining age 55 but before filing an application for retirement benefits
16 pursuant to this section or section 27 and for which benefits he would
17 have qualified and has not withdrawn his aggregate contributions, or
18 in the event of death after retirement, an amount equal to one-half of
19 the final compensation received by the member shall be paid to such
20 member's beneficiary.

21 b. (Deleted by amendment.)

22 c. Any member who, having elected to receive a deferred
23 retirement allowance, again becomes an employee covered by the
24 retirement system while under the age of 55, shall thereupon be
25 reenrolled. He shall be credited with all service as a member standing
26 to his credit at the time of his election to receive a deferred retirement
27 allowance.

28 (cf: P.L.1981, c.177, s.6)

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30 8. This act shall take effect immediately.

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STATEMENT

34

35 This bill reduces the service requirement that a member of the
36 Teachers' Pension and Annuity Fund (TPAF), the Judicial Retirement
37 System (JRS), the Prison Officers' Pension Fund (POPF), the Public
38 Employees' Retirement System (PERS), the Police and Firemen's
39 Retirement System (PFRS), and the State Police Retirement System
40 (SPRS) must meet to qualify for a deferred retirement allowance under
41 those several systems. Currently, the statutes governing these systems
42 require that a member of any of the respective retirement systems must
43 establish 10 years of creditable service in the system (eight years in the
44 case of a legislative member of the PERS) to vest a right to a deferred
45 retirement allowance beginning at age 60 (or age 55 in the case of the
46 POPF, PFRS and SPRS). Under the bill, this service requirement is

1 reduced to five years.

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6 Reduces vesting requirement under State-administered retirement

7 systems to five years' service.