

ASSEMBLY, No. 844

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen COTTRELL and MALONE

1 AN ACT concerning the formula for death benefits payable upon death
2 of retired members of the Teachers' Pension and Annuity Fund,
3 amending N.J.S.18A:66-37, N.J.S.18A:66-41, N.J.S.18A:66-42,
4 N.J.S.18A:66-44 and N.J.S.18A:66-53.

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

8
9 1. N.J.S.18A:66-37 is amended to read as follows:
10 18A:66-37. Should a member resign after having established 25
11 years of creditable service before reaching age 60, he may elect "early
12 retirement," provided, that such election is communicated by such
13 member to the retirement system by filing a written application, duly
14 attested, stating at what time subsequent to the execution and filing
15 thereof he desires to be retired. He shall receive, in lieu of the
16 payment provided in [section] N.J.S.18A:66-34, an annuity which is
17 the actuarial equivalent of his accumulated deductions and a pension
18 in the amount which, when added to the member's annuity, will
19 provide a total retirement allowance of 1/70 of his final compensation
20 for each year of service credited as class A service and 1/60 of his final
21 compensation for each year of service credited as class B service,
22 calculated in accordance with [section] N.J.S.18A:66-44, reduced by
23 1/4 of 1% for each month that the member lacks of being age 55;
24 provided, however, that upon the receipt of proper proofs of the death
25 of such a member there shall be paid to his beneficiary an amount
26 equal to 3/16 of the compensation upon which contributions by the
27 member [of] to the annuity savings fund were based in the last year of
28 creditable service or in the year of the member's highest contractual
29 salary, whichever is higher.

30 The board of trustees shall retire him at the time specified or at
31 such other time within [1] one month after the date so specified as the

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 board finds advisable.
2 (cf: P.L.1973, c.131, s.1)

3
4 2. N.J.S.18A:66-41 is amended to read as follows:

5 18A:66-41. A [~~member~~]member upon retirement for ordinary
6 disability shall receive a [~~retire~~ent] retirement allowance which shall
7 consist of:

8 (a) [~~An~~] an annuity which shall be the actuarial equivalent of his
9 accumulated deductions at the time of his retirement together with
10 regular interest after January 1, 1956; and

11 (b) [~~A~~] a pension in the amount which, when added to the
12 member's annuity, will provide a total retirement allowance of 1½% of
13 final compensation multiplied by his number of years of creditable
14 service; and provided further, that in no event shall the [~~allowance~~]
15 allowance be less than 40% of final compensation, except that in no
16 case shall the rate of allowance exceed 9/10 of the rate of the regular
17 service retirement allowance which the member would have received
18 had he remained in service from the date of retirement to age 60.

19 Upon the receipt of proper proofs of the death of a member who
20 has retired on an ordinary disability retirement allowance, there shall
21 be paid to such member's beneficiary, an amount equal to 1½ times the
22 compensation upon which contributions by the member to the annuity
23 savings fund were based in the last year of creditable [~~to~~] service or in
24 the year of the member's highest contractual salary, whichever is
25 higher; provided, however, that if such death shall occur after the
26 member shall [~~gave~~] have attained age 60, the amount payable shall
27 equal 3/16 of such compensation. The death benefits provided in this
28 section shall apply to any member who has retired or shall retire on or
29 after January 1, 1956.

30 (cf: P.L.1971, c.121, s.22)

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32 3. N.J.S.18A:66-42 is amended to read as follows:

33 18A:66-42. A member under 65 years of age upon retirement for
34 accidental disability shall receive a retirement allowance which shall
35 consist of:

36 (a) [~~An~~] an annuity which shall be the actuarial equivalent of his
37 accumulated deductions at the time of his retirement together with
38 regular interest after January 1, 1956; and

39 (b) [~~A~~] a pension in the amount which, when added to the
40 member's annuity, will provide a total retirement allowance of
41 [~~2/3%~~]2/3 of his actual annual compensation for which contributions
42 were being made at the time of the [~~occurrence~~] occurrence of the
43 accident.

44 Upon the[.]receipt of proper proofs of the death of a member who
45 has retired on an accidental disability retirement allowance, there shall
46 be paid to such member's beneficiary, an amount equal to 1½ times the

1 compensation upon which contributions by the member to the annuity
2 savings fund were based in the last year of creditable service or in the
3 year of the member's highest contractual salary, whichever is higher;
4 provided, however, that if such death shall occur after the member
5 shall have attained age 60, the amount payable shall equal 3/16 of such
6 compensation. The death benefits provided in this section shall apply
7 to any member who has retired or shall retire on or after January 1,
8 1956.

9 (cf: P.L.1971, c.121, s.23)

10

11 4. N.J.S.18A:66-44 is amended to read as follows:

12 18A:66-44. A member, upon retirement for service, shall receive a
13 retirement allowance consisting of:

14 (a) an annuity which shall be the actuarial equivalent of his
15 accumulated deductions, together with interest after January 1, 1956,
16 less any excess contributions as provided in [section] N.J.S.
17 18A:66-20; and

18 (b) [A] a pension in the amount which, when added to the
19 member's annuity, will provide a total retirement allowance of 1/70 of
20 his final compensation for each year of service credited as class A
21 service and 1/60 of his final [compelisation] compensation for each
22 year of service credited as class B service.

23 Upon the receipt of proper proofs of the death of a member who
24 has retired on a service retirement allowance, there shall be paid to the
25 member's beneficiary, an amount equal to 3/16 of the compensation
26 upon which contributions by the member to the annuity savings fund
27 were based in the last year of [creditable] creditable service or in the
28 year of the member's highest contractual salary, whichever is higher.
29 (cf: P.L.1971, c.121, s.25)

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31 5. N.J.S.18A:66-53 is amended to read as follows:

32 18A:66-53. a. Each member who is a member on January 1, 1958
33 and each person who thereafter becomes a member will be eligible to
34 purchase the additional death benefit coverage hereinafter described,
35 provided that he selects such coverage within one year after January
36 1, 1958 or after the effective date of membership, whichever date is
37 later.

38 b. Each member who is a member on [the effective date of this
39 amendatory act] October 29, 1969 , but for whom such additional
40 death benefit coverage is not then in effect, shall, during the period
41 stated below, also be eligible to elect such additional death benefit
42 coverage, provided he (1) furnished satisfactory evidence of
43 insurability, (2) on the date of such election is actively at work and
44 performing all his regular duties at his customary place of employment
45 and (3) agrees to make such additional contribution as may be required
46 by the board of trustees by reason of the commencement of such

1 [members's] member's participation in the benefits of this section
2 pursuant to this subsection b. Applications under this subsection shall
3 be filed during the period January 1, 1970 to March 31, 1970, both
4 dates inclusive. Benefits for a member applying under this [subscion]
5 subsection shall come into effect on the later of (a) July 1, 1970 and
6 (b) the date a required percentage of such members shall have applied
7 for such additional death benefit coverage. This required percentage
8 shall be fixed by the board of trustees. Any such percentage may be
9 made applicable to male or female members only or to other groupings
10 as determined by the board of trustees.

11 c. No member who enrolls on and after July 1, 1970 for the
12 additional death benefit coverage provided by this section shall be
13 eligible for the benefits described in subsections f. and g. if such [such]
14 member retires with less than 10 years of participation in the program.

15 d. The board of trustees shall establish schedules of contributions
16 to be made by the members who elect to purchase the additional death
17 benefit coverage. Such contributions shall be so computed that the
18 contributions made by or on behalf of all covered [member's] members
19 in the aggregate shall be sufficient to provide for the cost of the
20 benefits established by subsections e. and g. of this section. Such
21 schedules of contributions shall be subject to adjustment from time to
22 time, by the board of trustees, as the need may appear.

23 e. Upon the receipt of proper proofs of the death in service,
24 [occurring] occurring on or after July 1, 1968, of any such member
25 while covered for the additional death benefit coverage there shall be
26 paid to such member's beneficiary an amount equal to two times the
27 compensation received by the member in the last year of creditable
28 service.

29 f. The board of trustees may also provide, effective as of January
30 1, 1961, for additional death benefit coverage, as described in
31 subsection g. of this section, for former members who are receiving
32 retirement allowances pursuant to the provisions of this article, subject
33 to the provisions hereinafter stated, and the board may terminate such
34 coverage at any time[, the] The additional death benefit coverage
35 to be so provided shall be in accordance with rules as determined by
36 the board from time to time on the basis of dates of retirement or other
37 factors deemed appropriate by it. In no event shall the additional
38 death benefit coverage described in subsection g. of this section apply
39 to any former member receiving a retirement allowance unless such
40 member was covered by the additional death benefit described in
41 subsection e. of this section during the former member's last month of
42 creditable service. No contributions toward the cost of additional
43 death benefit coverage described in subsection g. of this section shall
44 be required of a former member while he is receiving a retirement
45 allowance pursuant to the provisions of this article.

46 g. Upon receipt of proper proofs of the death, occurring on or after

1 July 1, 1968, of a former member who was covered for the additional
2 death benefit coverage pursuant to subsection f. of this section, there
3 shall be paid to such former member's beneficiary an amount equal to
4 1/4 of the compensation received by the former member in the last
5 year of creditable service or in the year of the former member's highest
6 contractual salary, whichever is higher.

7 h. The contributions of a member for the additional death benefit
8 coverage shall be deducted from his compensation, but if there is no
9 compensation from which such contributions may be deducted it shall
10 be the obligation of the member, except as provided in subsection j. of
11 this section, to make such contributions directly to the retirement
12 system or as directed by the system; provided, however, that no
13 contributions shall be required while a member remains in service after
14 attaining age 70 but that his employer shall be required to pay into the
15 fund on his behalf in such case an amount equal to the contributions
16 otherwise required by the board of trustees in accordance with this
17 section.

18 i. Any other provisions of this article notwithstanding the
19 contributions of a member for the additional death benefit coverage
20 under this section shall not be returnable to the member or his
21 beneficiary in any manner, or for any reason whatsoever, nor shall any
22 contributions made for the additional death benefit coverage be
23 included in any annuity payable to any such member or to his
24 beneficiary.

25 j. For the purpose of this section, a member shall be deemed to be
26 in service (1) while he is disabled due to sickness or injury arising out
27 of or in the course of his employment as a teacher to whom this
28 article applies, is not engaged in any gainful occupation, and is
29 receiving or entitled to receive periodic benefits (including any
30 commutation of, or substitute for, such benefits) for loss of time on
31 account of such disability under or by reason of workmen's
32 compensation law, occupational disease law or similar legislation; or
33 (2) for a period of no more than two years while on official leave of
34 absence without pay if satisfactory evidence is presented to the
35 retirement system that such leave of absence without pay is due to
36 illness other than an illness to which (1) above applies. No
37 contributions for the optional death benefit provided by this section
38 shall be required of a member while he is deemed to be in service
39 pursuant to the above provisions of this subsection j.

40 k. All other provisions of this section notwithstanding, this
41 section and the benefits provided under this section shall not come into
42 effect until a required percentage of the members shall have applied for
43 the additional death benefit coverage under this section. This required
44 percentage shall be fixed by the board of trustees. Any such
45 percentage may be made applicable to [to] male or female [member's]
46 members only or to other groupings as determined by the board of

1 trustees. Applications for such additional death benefit coverage shall
2 be submitted to the system in such manner and upon such forms as the
3 retirement system shall provide.

4 1. Any person becoming a member of the retirement system after
5 benefits provided under this section shall have come into effect, who
6 is, by sex or other characteristic, within the grouping to which the
7 additional death benefit coverage under this section is applicable, for
8 the first year of his membership in the retirement system shall be
9 covered by the additional death benefit coverage provisions of this
10 section with the benefit in the event of death, in the first year of
11 membership only, being based upon contractual salary instead of
12 compensation actually received and shall make contributions as fixed
13 by the board of trustees during such period. Such member shall have
14 the right to continue to be covered by the benefits of this section and
15 to contribute therefor after his first year of membership has been
16 completed. This subsection shall not apply in the case of such a
17 member who has already attained his sixtieth birthday prior to
18 becoming a member of the retirement system unless he shall furnish
19 satisfactory evidence of insurability at the time of becoming a member.
20 (cf: P.L.1984, c.132, s.3)

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22 6. This act shall take effect immediately and shall be retroactive to
23 January 1, 1992.

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STATEMENT

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28 This bill changes the formula used in the "Teachers' Pension and
29 Annuity Fund Law" for calculating the death benefit payable on
30 account of a member's death after retirement.

31 Under current law, the retirant's paid-up life insurance benefit is
32 based upon compensation received by the retirant in the last year of
33 creditable service. The bill provides that the benefit would be based
34 upon either that compensation or on the compensation received in the
35 year of the member's highest contractual salary, whichever results in
36 a higher benefit.

37 The bill would be retroactive to January 1, 1992.

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42 Changes the calculation of TPAF post-retirement death benefit.