

ASSEMBLY, No. 1593

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 29, 1996

By Assemblyman DORIA

1 AN ACT concerning the computation of retirement allowances for  
2 certain members of the Teachers' Pension and Annuity Fund and the  
3 Public Employees' Retirement System and amending various parts  
4 of the statutory law.

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:66-36 is amended to read as follows:

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

17 a. The payments provided for in section 18A:66-37, if he so  
18 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]** 1/50 of  
25 his final compensation for each year of service credited as Class B  
26 service, calculated in accordance with section 18A:66-44, with  
27 optional privileges provided for in section 18A:66-47 if he exercises  
28 such optional privilege at least 30 days before his attainment of the  
29 normal retirement age provided, that such election is communicated by  
30 such member to the retirement system in writing stating at what time  
31 subsequent to the execution and filing thereof he desires to be, retired;  
32 and provided, further, that such member may later elect: (1) to receive  
33 the payments provided for in section 18A:66-37, if he had qualified  
34 under that section at the time of leaving service, except that in order

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9 service retirement age and has not withdrawn his accumulated  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

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

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

25

26 2. N.J.S.18A:66-37 is amended to read as follows:

27 18A:66-37. Should a member resign after having established 25  
28 years of creditable service before reaching age 60, he may elect "early  
29 retirement," provided, that such election is communicated by such  
30 member to the retirement system by filing a written application, duly  
31 attested, stating at what time subsequent to the execution and filing  
32 thereof he desires to be retired. He shall receive, in lieu of the  
33 payment provided in N.J.S.18A:66-34, an annuity which is the  
34 actuarial equivalent of his accumulated deductions and a pension in the  
35 amount which, when added to the member's annuity, will provide a  
36 total retirement allowance of 1/70 of his final compensation for each  
37 year of service credited as class A service and ~~[1/60]~~ 1/50 of his final  
38 compensation for each year of service credited as class B service,  
39 calculated in accordance with N.J.S.18A:66-44, reduced by 1/4 of 1%  
40 for each month that the member lacks of being age 55; provided,  
41 however, that upon the receipt of proper proofs of the death of such  
42 a member there shall be paid to his beneficiary an amount equal to  
43 3/16 of the compensation upon which contributions by the member to  
44 the annuity savings fund were based in the last year of creditable  
45 service or in the year of the member's highest contractual salary,  
46 whichever is higher.

1 The board of trustees shall retire him at the time specified or at  
2 such other time within one month after the date so specified as the  
3 board finds advisable.

4 (cf: P.L.1995, c.410, s.1)

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

7 18A:66-41. A member upon retirement for ordinary disability shall  
8 receive a retirement allowance which shall consist of:

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

12 (b) a pension in the amount which, when added to the member's  
13 annuity, will provide a total retirement allowance of [~~1½%~~]1 4/5% of  
14 final compensation multiplied by his number of years of creditable  
15 service; and provided further, that in no event shall the allowance be  
16 less than 40% of final compensation, except that in no case shall the  
17 rate of allowance exceed 9/10 of the rate of the regular service  
18 retirement allowance which the member would have received had he  
19 remained in service from the date of retirement to age 60.

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

31 (cf: P.L.1995, c.410, s.2)

32  
33 4. N.J.S.18A:66-44 is amended to read as follows:

34 18A:66-44. A member, upon retirement for service, shall receive a  
35 retirement allowance consisting of:

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

39 (b) a pension in the amount which, when added to the member's  
40 annuity, will provide a total retirement allowance of 1/70 of his final  
41 compensation for each year of service credited as class A service and  
42 [~~1/60~~]1/50 of his final compensation for each year of service credited  
43 as class B service.

44 Upon the receipt of proper proofs of the death of a member who  
45 has retired on a service retirement allowance, there shall be paid to the  
46 member's beneficiary, an amount equal to 3/16 of the compensation

1 upon which contributions by the member to the annuity savings fund  
2 were based in the last year of creditable service or in the year of the  
3 member's highest contractual salary, whichever is higher.  
4 (cf: P.L.1995, c.410, s.4)

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

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

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

15 (b) A deferred retirement allowance, beginning at the retirement  
16 age, which shall be made up of an annuity derived from the  
17 accumulated deductions standing to the credit of the individual  
18 member's account in the annuity savings fund at the time of his  
19 severance from the service together with regular interest, and a  
20 pension which when added to the annuity will produce a total  
21 retirement allowance of  $1/70$  of his final compensation for each year  
22 of service credited as Class A service and  ~~$1/60$~~   $1/50$  of his final  
23 compensation for each year of service credited as Class B service,  
24 calculated in accordance with section 48 of this act, with optional  
25 privileges provided for in section 50 of this act if he exercises such  
26 optional privilege at least 30 days before his attainment of the normal  
27 retirement age; provided, that such election is communicated by such  
28 member to the retirement system in writing stating at what time  
29 subsequent to the execution and filing thereof he desires to be retired;  
30 and provided further, that such member, as referred to in this  
31 subsection may later elect: (1) to receive the payments provided for  
32 in section 41 b. of this act, if he had qualified under that section at the  
33 time of leaving service, except that in order to avail himself of the  
34 optional privileges pursuant to section 50, he must exercise such  
35 optional privilege at least 30 days before the effective date of his  
36 retirement or; (2) to withdraw his accumulated deductions with  
37 interest as provided in section 41 a. If such member shall die before  
38 attaining service retirement age then his accumulated deductions, plus  
39 regular interest, shall be paid in accordance with section 41 c.; or if  
40 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

1 retirement system otherwise to the executor or administrator of the  
2 member's estate.

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

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5 6. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to read  
6 as follows:

7 41. a. A member who withdraws from service or ceases to be an  
8 employee for any cause other than death or retirement shall, upon the  
9 filing of an application therefor, receive all of his accumulated  
10 deductions standing to the credit of his individual account in the  
11 annuity savings fund, plus regular interest, less any outstanding loan,  
12 except that for any period after June 30, 1944, the interest payable  
13 shall be such proportion of the interest determined at the regular rate  
14 of 2% per annum bears to the regular rate of interest, and except that  
15 no interest shall be payable in the case of a member who has less than  
16 three years of membership credit for which he has made contributions.  
17 He shall cease to be a member two years from the date he discontinued  
18 service as an eligible employee, or, if prior thereto, upon payment to  
19 him of his accumulated deductions. If any such person or member  
20 shall die before withdrawing or before endorsing the check  
21 constituting the return of his accumulated deductions, such deductions  
22 shall be paid to the member's beneficiary. No member shall be entitled  
23 to withdraw the amounts contributed by his employer covering his  
24 military leave unless he shall have returned to the payroll and  
25 contributed to the retirement system for a period of 90 days.

26 b. Should a member resign after having established 25 years of  
27 creditable service before reaching age 60, he may elect "early  
28 retirement," provided, that such election is communicated by such  
29 member to the retirement system by filing a written application, duly  
30 attested, stating at what time subsequent to the execution and filing  
31 thereof he desires to be retired. He shall receive, in lieu of the  
32 payment provided in subsection a. of this section, an annuity which is  
33 the actuarial equivalent of his accumulated deductions together with  
34 regular interest, and a pension in the amount which, when added to the  
35 member's annuity, will provide a total retirement allowance of  
36 one-seventieth of his final compensation for each year of service  
37 credited as Class A service and ~~[one-sixtieth]~~ one-fiftieth of his final  
38 compensation for each year of service credited as Class B service,  
39 calculated in accordance with section 48 (C.43:15A-48) of this act,  
40 reduced by 1/4 of 1% for each month that the member lacks of being  
41 age 55; provided, however, that upon the receipt of proper proofs of  
42 the death of such a member there shall be paid to his beneficiary an  
43 amount equal to three-sixteenths of the compensation upon which  
44 contributions by the member to the annuity savings fund were based  
45 in the last year of creditable service.

46 The board of trustees shall retire him at the time specified or at

1 such other time within one month after the date so specified as the  
2 board finds advisable.

3 c. Upon the receipt of proper proofs of the death of a member in  
4 service on account of which no accidental death benefit is payable  
5 under section 49 there shall be paid to such member's beneficiary:

6 (1) The member's accumulated deductions at the time of death  
7 together with regular interest; and

8 (2) An amount equal to one and one-half times the compensation  
9 upon which contributions by the member to the annuity savings fund  
10 were based in the last year of creditable service.

11 (cf: P.L.1987, c.1, s.1)

12

13 7. Section 45 of P.L.1954, c.84 (C.43:15A-45) is amended to read  
14 as follows:

15 45. A member upon retirement for ordinary disability shall receive  
16 a retirement allowance, which shall consist of:

17 a. An annuity which shall be the actuarial equivalent of his  
18 accumulated deductions together with regular interest and

19 b. A pension in the amount which, when added to the member's  
20 annuity, will provide a total retirement allowance of ~~[1 1/2%]~~1 4/5%  
21 of final compensation multiplied by his number of years of creditable  
22 service; provided further, that in no event shall the allowance be less  
23 than 40% of final compensation, except that in no case shall the rate  
24 of allowance exceed 9/10 of the rate of the regular service retirement  
25 allowance which the member would have received had he remained in  
26 service from the date of retirement to age 60.

27 c. Upon the receipt of proper proofs of the death of a member who  
28 has retired on an ordinary disability retirement allowance there shall be  
29 paid to such member's beneficiary, an amount equal to 1 1/2 times the  
30 compensation upon which contributions by the member to the annuity  
31 savings fund were based in the last year of creditable service;  
32 provided, however, that if such death shall occur after the member  
33 shall have attained age 60, the amount payable shall equal 3/16 of such  
34 compensation.

35 (cf: P.L.1971, c.213, s.19)

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37 8. Section 48 of P.L.1954, c.84 (C.43:15A-48) is amended to read  
38 as follows:

39 48. A member, upon retirement for service, shall receive a  
40 retirement allowance consisting of:

41 a. An annuity which shall be the actuarial equivalent of his  
42 accumulated deductions together with regular interest; and

43 b. A pension in the amount which, when added to the member's  
44 annuity, will provide a total retirement allowance of 1/70 of his final  
45 compensation for each year of service credited as Class A service and  
46 ~~[1/60]~~ 1/50 of his final compensation for each year of service credited

1 as Class B service.

2 c. Upon the receipt of proper proofs of the death of a member who  
3 has retired on a service retirement allowance, there shall be paid to the  
4 member's beneficiary, an amount equal to  $\frac{3}{16}$  of the compensation  
5 upon which contributions by the member to the annuity savings fund  
6 were based in the last year of creditable service.  
7 (cf: P.L.1971, c.213, s.22)

8

9 9. This act shall take effect immediately.

10

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12 STATEMENT

13

14 The purpose of this bill is to improve the formula for computing  
15 retirement allowances for members with Class B service in both the  
16 Teachers' Pension and Annuity Fund and the Public Employees'  
17 Retirement System who retire on deferred, early, service or ordinary  
18 disability retirement allowances. The bill would change the formula to  
19 be used in computing the retirement allowance due members of each  
20 system under each of the above types of retirement allowances, other  
21 than ordinary disability, from  $\frac{1}{60}$ th of a member's final compensation  
22 for each year of creditable service to  $\frac{1}{50}$ th of final compensation for  
23 each year of creditable service; in the case of ordinary disability  
24 retirement allowances, the formula is changed from  $1\frac{1}{2}\%$  of final  
25 compensation for each year of creditable service to  $1\frac{4}{5}\%$  of final  
26 compensation for each year of creditable service.

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31 \_\_\_\_\_  
32 Improves the formula for computing retirement allowances for certain  
33 PERS and TPAF members retiring on deferred, early, service or  
ordinary disability retirement allowances.