

ASSEMBLY, No. 2415

STATE OF NEW JERSEY

INTRODUCED OCTOBER 7, 1996

By Assemblymen DORIA and COLLINS

1 AN ACT concerning creditable service in certain State-administered
2 retirement systems and for retiree health benefits coverage in the
3 State Health Benefits Program, amending and supplementing
4 chapter 66 of Title 18A of the New Jersey Statutes and P.L.1954,
5 c.84, and amending P.L.1961, c.49 and P.L.1964, c.125.

6

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

9

10 1. N.J.S.18A:66-15.1 is amended to read as follows:

11 18A:66-15.1. a. A member who is a member of another
12 State-administered retirement system or pension fund at the time of
13 enrollment in the Teachers' Pension and Annuity Fund and who [does
14 not contribute to the other system or fund after that time] has ceased
15 or ceases, at that time or subsequently, to be an active contributing
16 member of the other system or fund may transfer the service credit in
17 the other system or fund to the Teachers' Pension and Annuity Fund
18 upon application and transfer of the member's contributions from the
19 other system or fund to the fund. If the member has withdrawn the
20 contributions to the other retirement system or pension fund, the
21 member may purchase credit for the service in the other system or
22 fund. The purchase shall be made in the same manner and be subject
23 to the same terms and conditions provided for the purchase of
24 previous membership service by N.J.S.18A:66-9.

25 b. A member of the retirement system who had established service
26 credit in a municipal or county retirement system or pension fund, and
27 who was ineligible to transfer the service credit to the retirement
28 system and withdrew contributions from the municipal or county
29 retirement system or pension fund, may purchase credit for all of the
30 member's service in that retirement system or pension fund by paying
31 into the annuity savings fund the amount required by applying the
32 factor, supplied by the actuary, as being applicable to the member's age
33 at the time of the purchase, to the member's salary at that time, or to
34 the highest annual compensation for service in this State for which

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

Matter underlined thus is new matter.

1 contributions were made during any prior fiscal year of membership,
2 whichever is greater. The terms of the purchase and the credit granted
3 shall be identical, except as otherwise herein provided, to those
4 stipulated for the purchase of previous membership service by
5 members of the retirement system as provided by N.J.S.18A:66-9.
6 (cf: P.L.1991, c.138, s.5)

7

8 2. (New section) A member of the Teachers' Pension and Annuity
9 Fund who ceases participation in the Alternate Benefit Program
10 (ABP), established by P.L.1969, c.242 (C.18A:66-167 et seq.), may
11 use nonconcurrent service credited in ABP to meet the service
12 requirements for the following:

- 13 a. vested benefits as provided in N.J.S.18A:66-36;
14 b. early retirement as provided in N.J.S.18A:66-37;
15 c. ordinary disability retirement as provided in N.J.S.18A:66-39;
16 d. contributory death benefits as provided in N.J.S.18A:66-53;
17 e. noncontributory death benefits as provided in N.J.S.18A:66-69;
18 and
19 f. special veterans' retirement as provided in N.J.S.18A:66-71.

20 If ABP service is used to meet the service requirement for special
21 veterans' retirement, the benefit under subsection a. of
22 N.J.S.18A:66-71 shall be the benefit determined as provided in the
23 subsection multiplied by the years of service credited in the retirement
24 system divided by the years of service required to qualify for the
25 benefit, but in no case shall the benefit be greater than the benefit
26 determined as provided in the subsection. The benefit under
27 subsection d. of N.J.S.18A:66-71 shall be the benefit determined as
28 provided in the subsection based only upon the service credited to the
29 retirement system. The ABP service shall not be used in calculating
30 any of the benefits specified in this section.

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

34 14. A member who is a member of another State-administered
35 retirement system or pension fund at the time of enrollment in the
36 Public Employees' Retirement System and [does not contribute to the
37 other system or fund after that time] who has ceased or ceases, at that
38 time or subsequently, to be an active contributing member of the other
39 system or fund may transfer the service credit in the other system or
40 fund to the Public Employees' Retirement System upon application and
41 transfer of the member's contributions from the other system or fund
42 to the system. If the member has withdrawn the contributions to the
43 other retirement system or pension fund, the member may purchase
44 credit for the service in the other system or fund. The purchase shall
45 be made in the same manner and be subject to the same terms and
46 conditions provided for the purchase of previous membership service

1 by section 8 of P.L.1954, c.84 (C.43:15A-8).
2 (cf: P.L.1991, c.138, s.9)

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4 4. (New section) A member of the Public Employees' Retirement
5 System who ceases participation in the Alternate Benefit Program
6 (ABP), established by P.L.1969, c.242 (C.18A:66-167 et seq.), may
7 use nonconcurrent service credited in ABP to meet the service
8 requirements for the following:

9 a. vested benefits as provided in section 38 of P.L.1954, c.84
10 (C.43:15A-38);

11 b. early retirement as provided in subsection b. of section 41 of
12 P.L.1954, c.84 (C.43:15A-41);

13 c. ordinary disability retirement as provided in section 42 of
14 P.L.1954, c.84 (C.43:15A-42);

15 d. special veterans' retirement as provided in section 61 of
16 P.L.1954, c.84 (C.43:15A-61); and

17 e. noncontributory death benefits as provided in section 64 of
18 P.L.1954, c.84 (C.43:15A-64).

19 If ABP service is used to meet the service requirement for special
20 veterans' retirement, the benefit under subsection b. of section 61 of
21 P.L.1954, c.84 (C.43:15A-61) shall be the benefit determined as
22 provided in the subsection multiplied by the years of service credited
23 in the retirement system divided by the years of service required to
24 qualify for the benefit, but in no case shall the benefit be greater than
25 the benefit determined as provided in the subsection. The benefit
26 under subsection d. of section 61 shall be the benefit determined as
27 provided in the subsection based only upon the service credited to the
28 retirement system. The ABP service shall not be used in calculating
29 any of the benefits specified in this section.

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31 5. Section 8 of P.L.1961, c.49 (C.52:14-17.32) is amended to read
32 as follows:

33 8. a. The basic coverage and the major medical coverage of any
34 employee, and of his dependents, if any, shall cease upon the
35 discontinuance of his term of office or employment or upon cessation
36 of active full-time employment subject to such regulations as may be
37 prescribed by the commission for limited continuance of basic
38 coverage and major medical coverage during disability, part-time
39 employment, leave of absence or lay off, and for continuance of basic
40 coverage and major medical coverage after retirement, any such
41 continuance after retirement to be provided at such rates and under
42 such conditions as shall be prescribed by the commission, subject,
43 however, to the requirements hereinafter set forth in this section. The
44 commission may also establish regulations prescribing an extension of
45 coverage when an employee or dependent is totally disabled at
46 termination of coverage.

1 b. Rates payable by retired employees for themselves and their
2 dependents, by active employees for dependents covered by medicare
3 benefits, and by the State or other employer for an active employee
4 alone covered by medicare benefits, shall be determined on the basis
5 of utilization experience according to classifications determined by the
6 commission, provided, however, that the total rate payable by such
7 retired employee for himself and his dependents, or by such active
8 employee for his dependents and the State or other employer for such
9 active employee alone, for coverage hereunder and for Part B of
10 medicare, shall not exceed by more than 25%, as determined by the
11 commission, the total amount which would have been required to have
12 been paid by him and by the State or other employer for the coverage
13 maintained had he continued in office or active employment and he and
14 his dependents were not eligible for medicare benefits. "Medicare" as
15 used in this act means the coverage provided under Title XVIII of the
16 Social Security Act as amended in 1965, or its successor plan or plans.

17 c. (1) From funds appropriated therefor, the State shall pay the
18 premium or periodic charges for the benefits provided to a retired
19 State employee and his dependents covered under the program, but
20 not including survivors, if such employee retired from [a
21 State-administered retirement system] one or more State- or
22 locally-administered retirement systems on a benefit or benefits based
23 in the aggregate on 25 years or more of nonconcurrent service credited
24 in [such retirement system] the retirement systems, excepting the
25 employee who elected deferred retirement, but including the employee
26 who retired on a disability pension based on fewer years of service
27 credited in [such retirement system] the retirement systems and shall
28 also reimburse such retired employee for his premium charges under
29 Part B of the federal medicare program covering the retired employee
30 and the employee's spouse. In the case of full-time employees of the
31 Rutgers University Cooperative Extension Service, service credited in
32 the federal Civil Service Retirement System (5 U.S.C. §8331 et seq.)
33 which was earned as a result of full-time employment at Rutgers
34 University, may be considered alone or in combination with service
35 credited in [a State-administered retirement system] State- or
36 locally-administered retirement systems for the purposes of
37 establishing the minimum 25-year service requirement to qualify for
38 the benefits provided in this section. Any full-time employee of the
39 Rutgers University Cooperative Extension Service who meets the
40 eligibility requirements set forth in this amendatory act shall be eligible
41 for the benefits provided in this section, provided that at the time of
42 retirement such employee was covered by the State Health Benefits
43 Program and elected to continue such coverage into retirement.

44 (2) Notwithstanding the provisions of this section to the contrary,
45 from funds appropriated therefor, the State shall pay the premium or
46 periodic charges for the benefits provided to a retired State employee

1 and his dependents covered under the program, but not including
2 survivors, if: (a) the employee retires on or after the effective date of
3 this 1987 amendatory act; (b) the employee was employed by Rutgers
4 University prior to January 2, 1955 and remained in continuous service
5 with Rutgers University until retirement even though the employee (i)
6 did not join a State-administered retirement system, or, (ii) became a
7 member of a State-administered retirement system, but accumulated
8 less than 25 years of credited service; and (c) the employee is covered
9 by the program at the time of retirement.

10 (3) Notwithstanding the provisions of this section to the contrary,
11 in the case of an employee of a State college, as described in chapter
12 64 of Title 18A of the New Jersey Statutes, or of a county college, as
13 defined in N.J.S.18A:64A-1, service credited in a private defined
14 contribution retirement plan which was earned as an employee of an
15 auxiliary organization, as defined in section 2 of P.L.1982, c.16
16 (C.18A:64-27), at a State or county college shall be considered in
17 combination with service credited in a State-administered retirement
18 system for the purposes of establishing the minimum 25-year service
19 requirement to qualify for the benefits provided in this section,
20 provided that the employee is covered by the program at the time of
21 retirement.

22 (cf: P.L.1993, c.28, s.1)

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24 6. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to
25 read as follows:

26 7. The Division of Pensions and Benefits shall certify to the
27 certifying agent of each employer electing participation under the
28 program the premium rates and periodic charges applicable to the
29 coverage provided for employees and dependents. The participating
30 employer shall remit to the division all contributions to premiums and
31 periodic charges in advance of their due dates, subject to the rules and
32 regulations of the commission.

33 From funds allocated therefor, the employer other than the State
34 may pay the premium or periodic charges for the benefits provided to
35 a retired employee and the employee's dependents covered under the
36 program, if such employee retired from [a State or
37 locally-administered retirement system] one or more State- or locally-
38 administered retirement systems on a benefit or benefits based in the
39 aggregate on 25 years or more of nonconcurrent service credited in
40 [such retirement system] the retirement systems, excepting the
41 employee who elected deferred retirement, but including the employee
42 who retired on a disability pension based on fewer years of service
43 credited in [such retirement system] the retirement systems, and may
44 also reimburse such retired employee for the employee's premium
45 charges under Part B of Medicare covering the retired employee and
46 the employee's spouse. "Retired employee and the employee's

1 dependents" may, upon adoption of an appropriate resolution therefor
2 by the participating employer, also include otherwise eligible
3 employees, and their dependents, who retired from a State or
4 locally-administered retirement system prior to the date that the
5 employer became a participating employer in the New Jersey State
6 Health Benefits Program. The term may also, upon adoption of an
7 appropriate resolution therefor by the participating employer, include
8 otherwise eligible employees, and their dependents, who did not elect
9 to continue coverage in the program during such time after the
10 employer became a participating employer that the employer did not
11 pay premium or periodic charges for benefits to retired employees and
12 their dependents pursuant to this section. Eligibility and enrollment of
13 such employees and dependents shall be in accordance with such rules
14 and regulations as may be adopted by the State Health Benefits
15 Commission.

16 The employer other than the State may, by resolution, pay the
17 premium or periodic charges for the benefits provided to the surviving
18 spouse of a retired employee and the employee's dependents covered
19 under the program as provided in this section.

20 (cf: P.L.1996, c.8, s.4)

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22 7. This act shall take effect immediately.

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STATEMENT

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27 This bill permits a member of the Teachers' Pension and Annuity
28 Fund (TPAF) or the Public Employees' Retirement System (PERS)
29 who, at and after the time of enrollment in TPAF or PERS, was an
30 active, contributing member of another State-administered retirement
31 system, but who has since ceased to be such, to establish, by transfer
32 or purchase as appropriate, credit in the current fund or system for
33 service previously credited in the other retirement system. At present,
34 such a transfer or purchase is permitted only if the active service
35 covered by the prior retirement system had ceased as of the time of the
36 person's enrollment in TPAF or PERS.

37 The bill applies a similar rule to permit recognition in TPAF or
38 PERS of a member's previous service on the faculty of a New Jersey
39 public institution of higher education if that service was covered by the
40 alternate benefit program (ABP). (The ABP is a special retirement
41 plan for such faculty members.) A member's benefits under the ABP
42 are based solely upon contributions and earnings thereon accumulated
43 in the member's ABP account, and not (as under the retirement
44 programs for other public employees) upon service; accordingly, a
45 person covered by the ABP does not accrue pensionable "service
46 credit" as such, and therefore no such credit can be established in the

1 current fund in the manner described above. Instead, the bill provides
2 that a member of TPAF or PERS may "use" nonconcurrent service
3 credited in ABP to meet the service requirement, under the
4 appropriate system, for vesting, early retirement, ordinary disability
5 retirement, contributory death benefits, noncontributory death benefits,
6 and special veteran's retirement.

7 With respect to special veteran's retirement, the bill includes
8 provisions clarifying that ABP service may be used only to qualify for
9 that form of retirement: the amount of the benefit would (a) in the
10 case of a member qualifying only for the regular half-pay veteran's
11 allowance, be reduced to an amount reflecting only that proportion of
12 the total service requirement that was satisfied by the TPAF or PERS
13 service, as the case may be, or (b) in the case of a member qualifying
14 for the enhanced, service-based veteran's allowance, exclude ABP
15 service from the calculation of that allowance.

16 Finally, the bill amends the statute governing employees' eligibility
17 for employer-paid coverage under the State Health Benefits Program
18 (SHBP) after retirement. Currently, the statute requires that to qualify
19 for such coverage, an employee must have accrued 25 years of
20 creditable service in a single State-administered retirement system.
21 (Local government employees may meet the requirement on the basis
22 of service credited in a locally-administered retirement system.) The
23 bill provides that, instead of having to meet the 25 year requirement
24 in a single system, a State employee, and a local government employee
25 if the local government chooses to provide such coverage in
26 retirement, may receive this benefit if the 25 years are in one or more
27 of those systems.

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32 Makes certain changes regarding transfer of service credit among
33 certain retirement systems and inclusion of certain service for meeting
34 various threshold requirements, including paid health benefits coverage
35 for retirees.