

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:

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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 If the member has withdrawn the  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)

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