

ASSEMBLY, No. 2828

STATE OF NEW JERSEY

INTRODUCED MARCH 13, 1997

By Assemblyman BLEE, Assemblywoman MURPHY,
Assemblymen Kavanaugh and Malone

1 AN ACT conforming the administration of State-administered
2 retirement systems to federal Internal Revenue Code requirements,
3 establishing certain non-forfeitable pension rights, and
4 supplementing Title 43 of the Revised Statutes.

5

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

8

9 1. In accordance with the provisions of section 401 (a) (2) of the
10 federal Internal Revenue Code, and subject to such exceptions as may
11 be permitted for governmental plans under section 401 (a) (2) of the
12 federal Internal Revenue Code, at no time prior to the satisfaction of
13 all liabilities with respect to members and their beneficiaries under the
14 Teachers' Pension and Annuity Fund, established pursuant to
15 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established
16 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
17 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
18 seq.), the Public Employees' Retirement System, established pursuant
19 to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated Police and
20 Firemen's Pension Fund, established pursuant to R.S.43:16-1 et seq.,
21 the Police and Firemen's Retirement System, established pursuant to
22 P.L.1944, c.255 (C.43:16A-1 et seq.), the State Police Retirement
23 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
24 and the Alternate Benefit Program, established pursuant to P.L.1969,
25 c.242 (C.18A:66-167 et seq.), shall any part of the corpus or income
26 of the respective retirement systems, within the taxable year or
27 thereafter, be used for or diverted to purposes other than for the
28 exclusive benefit of the members or their beneficiaries.

29

30 2. Notwithstanding any law, rule or regulation to the contrary, the
31 contributions to and benefits payable under the Teachers' Pension and
32 Annuity Fund, the Judicial Retirement System, the Prison Officers'
33 Pension Fund, the Public Employees' Retirement System, the
34 Consolidated Police and Firemen's Pension Fund, the Police and
35 Firemen's Retirement System, the State Police Retirement System and
36 the Alternate Benefit Program shall not exceed the limitations

1 provided under section 415 of the federal Internal Revenue Code. The
2 Division of Pensions and Benefits in the Department of the Treasury
3 shall be responsible for implementation and enforcement of these
4 limitations.

5
6 3. Notwithstanding any law, rule or regulation to the contrary, for
7 members of the Teachers' Pension and Annuity Fund, the Judicial
8 Retirement System, the Public Employees' Retirement System, the
9 Police and Firemen's Retirement System, and the State Police
10 Retirement System, the amount of compensation which may be used
11 for member contributions and benefits under the retirement systems
12 after June 30, 1996 shall not exceed the compensation limitation of
13 section 401 (a) (17) of the federal Internal Revenue Code of 1986, (26
14 U.S.C §401 (a) (17)), as amended pursuant to section 13212 of the
15 Omnibus Budget Reconciliation Act of 1993, Pub. L.103-66, 107 Stat.
16 312 or as hereafter amended or supplemented, to the extent applicable
17 to governmental plans. The provisions of this section shall not be
18 applicable to members enrolled prior to July 1, 1996 if the employer
19 of the members certifies to the Director of the Division of Pensions
20 and Benefits, in the form and manner prescribed by the director, prior
21 to July 1, 1997, that the employer will pay the additional cost for not
22 applying the limit to the members.

23
24 4. Notwithstanding any law, rule or regulation to the contrary, for
25 members of the Alternate Benefit Program, the amount of
26 compensation which may be used for employer and member
27 contributions and benefits under the program after June 30, 1996 shall
28 not exceed the compensation limitation of section 401 (a) (17) of the
29 federal Internal Revenue Code of 1986, (26 U.S.C §401 (a) (17)), as
30 amended pursuant to section 13212 of the Omnibus Budget
31 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as
32 hereafter amended or supplemented, to the extent applicable to
33 governmental plans. The provisions of this section shall not be
34 applicable to members enrolled prior to July 1, 1996 if the employer
35 of the members certifies to the Director of the Division of Pensions
36 and Benefits, in the form and manner prescribed by the director, prior
37 to July 1, 1997, that the employer will pay the additional cost for not
38 applying the limit to the members.

39
40 5. Members of the Teachers' Pension and Annuity Fund, the
41 Judicial Retirement System, the Prison Officers' Pension Fund, the
42 Public Employees' Retirement System, the Consolidated Police and
43 Firemen's Pension Fund, the Police and Firemen's Retirement System,
44 and the State Police Retirement System shall have a non-forfeitable
45 right to receive benefits, excluding post-retirement medical benefits,
46 as provided under the laws governing the retirement systems in effect

1 on the date of attainment of 10 years of service credit in the systems.
2 This act shall not be construed to preclude forfeiture, suspension or
3 reduction of benefits for dishonorable service. Nothing in this act shall
4 be deemed to: a. limit the right of the State to alter, modify or amend
5 such retirement systems, other than the above-mentioned benefits for
6 members who have attained 10 years of service credit, or b. create in
7 any member a property right in the corpus or management of a
8 retirement system.

9
10 6. This act shall take effect immediately.

11 12 13 STATEMENT 14

15 The purpose of this bill is to conform the administration of the
16 Teachers' Pension and Annuity Fund (TPAF), the Alternate Benefit
17 Program (ABP), the Judicial Retirement System (JRS), the Prison
18 Officers' Pension Fund (POPF), the Public Employees' Retirement
19 System (PERS), the Consolidated Police and Firemen's Pension Fund
20 (CPFPPF), the Police and Firemen's Retirement System (PFRS), and the
21 State Police Retirement System (SPRS) to federal Internal Revenue
22 Code requirements in order to maintain the qualified status of these
23 retirement systems. The bill provides that in accordance with the
24 provisions of section 401 (a) (2) of the federal Internal Revenue Code,
25 at no time prior to the satisfaction of all liabilities with respect to
26 members and their beneficiaries shall any part of the corpus or income
27 of the respective retirement systems, within the taxable year or
28 thereafter, be used for or diverted to purposes other than for the
29 exclusive benefit of the members or their beneficiaries. It also
30 provides that the contributions and benefits payable under the above-
31 mentioned retirement systems shall be subject to the limitations
32 provided under section 415 of the federal Internal Revenue Code.

33 The bill further provides that the compensation which may be used
34 for employer and employee contributions and benefits under the State-
35 administered retirement systems shall not exceed the compensation
36 limit prescribed by section 401 (a) (17) of the federal Internal Revenue
37 Code. The current amount of the limit is \$160,000. If the limit is
38 made applicable to the retirement systems prior to July 1, 1997,
39 members of the systems enrolled prior to July 1, 1996 will not be
40 affected by the limit if their employers certify to the Director of the
41 Division of Pensions and Benefits that they will pay the additional cost
42 for not applying the limit to the members.

43 The bill also provides that a PERS, TPAF, PFRS, SPRS, JRS,
44 POPF, or CPFPPF member shall have a non-forfeitable right to receive
45 benefits, excluding post-retirement medical benefits, as provided under
46 the laws governing the retirement systems in effect on the date of

1 attainment of 10 years of service credit in the system. Once a member
2 has attained 10 years of service credit, the member shall be eligible to
3 receive benefits thereafter based upon the benefit provision in effect on
4 the date on which the member attained 10 years of service credit. The
5 bill does not preclude the forfeiture, suspension or reduction of
6 benefits for dishonorable service. It shall also not be deemed to: (1)
7 limit the right of the State to alter, modify or amend the retirement
8 systems, other than the above-mentioned benefits for members who
9 have attained 10 years of service, or (2) create in any member a
10 property right in the corpus or management of a retirement system.

11

12

13

14

15 _____
16 Conforms administration of State-administered retirement systems to
17 federal IRC requirements; establishes certain non-forfeitable pension
rights.