

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2828

STATE OF NEW JERSEY

DATED: MARCH 20, 1997

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2828.

Assembly Bill No. 2828 codifies administrative procedures that conform the Teachers' Pension and Annuity Fund, the Alternate Benefit Program, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, and the State Police Retirement System to federal Internal Revenue Code (IRC) requirements of federal tax "qualified" pension plans.

The bill provides that in accordance with IRC section 401(a)(2) that at no time prior to the satisfaction of all liabilities with respect to members and their beneficiaries shall any part of the corpus or income of the respective retirement systems be used for or diverted to purposes other than for the exclusive benefit of the members or their beneficiaries. The bill provides that the contributions and benefits payable under the retirement systems shall be subject to the benefits and contributions limits of IRC section 415, pursuant to the requirements of IRC section 401(a) (16).

The bill provides that the annual compensation on which employer and employee contributions and benefits may be based under the State-administered retirement systems shall not exceed the annual compensation limit set by IRC section 401(a)(17). The current federal limit is \$160,000 annually. The limit will not apply to a member of the systems enrolled prior to July 1, 1996 if that employee's employer certifies to the Director of the Division of Pensions and Benefits prior to July 1, 1997, that the employer will pay the additional cost for not applying the limit to the member.

The bill also provides that a retirement plan member has a non-forfeitable right to receive benefits, excluding post-retirement medical benefits, as provided under the laws governing the retirement systems in effect on the date of attainment of 10 years of service credit in the system. Once a member has attained 10 years of service credit, the member shall be eligible to receive benefits thereafter based upon the benefit provision in effect on the date on which the member attained 10 years of service credit. The bill does not preclude the forfeiture, suspension or reduction of benefits for dishonorable service. The right

to receive benefits shall not be deemed to: (1) limit the right of the State to alter, modify or amend the retirement systems, other than the above-mentioned benefits for members who have attained 10 years of service, or (2) create in any member a property right in the corpus or management of a retirement system.

FISCAL IMPACT:

This bill was not certified as requiring a fiscal note. Because the bill codifies current pension system practices, which have always been to maintain the plans in compliance with the standards for federally "qualified" plans, it makes no substantive changes to the fiscal management of the plans.