

SENATE, No. 121

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator PALAIA

1 AN ACT concerning coverage under the State Health Benefits Program
2 of certain retired members of the Police and Firemen's Retirement
3 System of New Jersey, amending N.J.S.40A:10-23, and
4 supplementing P.L.1961, c.49 (C.52:14-17.25 et seq.).
5

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

8
9 1. (New section) A qualified retiree from the Police and Firemen's
10 Retirement System of New Jersey established pursuant to P.L.1944,
11 c.255 (C.43:16A-1 et seq.) and dependents of a qualified retiree,
12 including survivors, are eligible to participate in the State Health
13 Benefits Program.

14 A qualified retiree is a retiree who:

15 a. retired on a benefit based on 25 or more years of service credit;
16 or

17 b. retired, based on fewer years of service, on an ordinary disability
18 retirement allowance pursuant to section 6 of P.L.1944, c.255
19 (C.43:16A-6) or an accidental disability retirement allowance pursuant
20 to section 7 of P.L.1944, c.255 (C.43:16A-7).

21 A retiree who elected deferred retirement is not a qualified retiree.

22 The employer shall reimburse a qualified retiree or survivor who
23 participates in the program for the premium charges under Part B of
24 the federal Medicare program for the retiree and the retiree's spouse
25 or for the survivor, as appropriate.

26 The premium or periodic charges for benefits provided to a
27 qualified retiree and the dependents of the retiree, including survivors,
28 and the cost for reimbursement of Medicare premiums shall be paid by
29 the employer. The State Health Benefits Commission shall annually
30 certify to the employer the cost for providing health benefits coverage
31 to qualified retirees and their dependents, including survivors, under
32 this section. The employer shall annually remit to the commission the

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 amount certified at a time specified by the State Treasurer.

2 A qualified retiree who retired prior to the effective date of this
3 amendatory and supplementary act, P.L. , c. , is eligible for
4 coverage if the retiree applies to the program within one year after the
5 effective date.

6 The provisions of this section shall not apply to any member of the
7 retirement system who is a retired State employee and whose
8 premiums or periodic charges for benefits under the program are paid
9 by the State pursuant to section 8 of P.L.1961, c.49 (C.52:14-17.32).

10 The provisions of this section shall not affect coverage under any
11 existing health benefits contract between a qualified retiree and the
12 employer nor limit additional health benefits coverage agreed to by
13 the retiree and employer.

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15 2. N.J.S.40A:10-23 is amended to read as follows:

16 40A:10-23. Payment of premiums after retirement.

17 a. Retired employees shall be required to pay for the entire cost of
18 coverage for themselves and their dependents at rates which are
19 deemed to be adequate to cover the benefits, as affected by Medicare,
20 of the retired employees and their dependents on the basis of the
21 utilization of services which may be reasonably expected of the older
22 age classification; provided, however, that the total rate payable by a
23 retired employee for himself and his dependents, for coverage under
24 the contract and for Part B of Medicare, shall not exceed by more than
25 25% the total amount that would have been required to have been paid
26 by the employee and his employer for the coverage maintained had he
27 continued in office or active employment and he and his dependents
28 were not eligible for Medicare benefits.

29 b. The employer may, in its discretion, assume the entire cost of
30 such coverage and pay all of the premiums for employees who have
31 retired on a disability pension or after 25 years' or more service with
32 the employer, or have retired and reached the age of 62 or older with
33 at least 15 years of service with the employer, including the premiums
34 on their dependents, if any, under uniform conditions as the governing
35 body of the local unit shall prescribe, except that retired employees
36 who are eligible for and upon retirement elect to take paid coverage
37 under the State Health Benefits Program pursuant to section 1 of P.L.
38 , c. (C.) (now pending before the Legislature as this bill) shall
39 not be eligible for employer-paid coverage under this subsection. The
40 period of time a county law enforcement officer has been employed by
41 any county or municipal police department, sheriff's department or
42 county prosecutor's office, may be counted cumulatively as "service
43 with the employer" for the purpose of qualifying for payment of health
44 insurance premiums by the county pursuant to this section.

45 c. The employer may, in its discretion, provide additional health
46 benefits coverage for retirees who elect to take paid coverage under

1 the State Health Benefits Program pursuant to section 1 of P.L. , c.
2 (C.) (now pending before the Legislature as this bill), and may
3 assume the cost of such coverage, upon agreement between the retiree
4 and the employer.

5 (cf: P.L.1993,c.300,s.1)

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7 3. (New section) Notwithstanding the provisions of any other law
8 to the contrary, beginning July 1, 1995 any difference in the employer
9 contributions required as a result of the revisions under section 16 of
10 P.L.1994, c.62 under the Police and Firemen's Retirement System and
11 the original employer contributions determined by the State Treasurer
12 under the law prior to the pension revisions under section 16 of that
13 act shall be applied to cover any increased costs to employers resulting
14 from this amendatory and supplementary act, P.L. , c. (C.).

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16 4. This act shall take effect on the first day of the fourth month
17 after enactment.

20 STATEMENT

21
22 This bill extends to members of the Police and Firemen's Retirement
23 System of New Jersey (PFRS) who retire with 25 or more years of
24 service credit or on a disability retirement allowance coverage in the
25 State Health Benefits Program (SHBP) at the expense of the employer.
26 Qualified retirees would also be reimbursed by the employer for their
27 premium charges under Part B of the Medicare program. The
28 Teachers' Pension and Annuity Fund, the Public Employees'
29 Retirement System, the Judicial Retirement System, and the State
30 Police Retirement System all currently provide this coverage. In
31 addition, the bill provides the same health benefits coverage to
32 survivors of such PFRS retirees.

33 The bill also permits employers of retirees who elect to participate
34 in the SHBP to provide and assume the cost of additional health
35 benefits coverage (for example, dental costs, which are not now
36 covered for retirees under the SHBP).

37 The program is paid for by changes in the pension adjustment
38 benefit annual index assumption and the average assumed percentage
39 rate of salary increase used in calculating pension system liability
40 adopted in P.L.1994, c.62. It is estimated that local government
41 employers will have reduced contributions as a result of these pension
42 revisions that will far exceed the cost of the coverage required by this
43 bill. Local government employers currently offering local health
44 benefit retirement programs will experience significant additional cost
45 savings.

46 At present, PFRS members employed by units of local government

1 receive employer-paid health insurance coverage upon retirement
2 through the SHBP or another plan only if their employer chooses to
3 provide paid coverage. The bill allows all qualified PFRS retirees to
4 participate in the SHBP. Qualified retirees of non-SHBP participating
5 employees could elect to accept SHBP coverage at the expense of the
6 employer or to continue in their employer's program. State employees
7 who are qualified retirees from PFRS currently receive paid coverage
8 upon retirement at the expense of the State and would continue to do
9 so.

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14 Provides paid SHBP coverage to 25-year retirees and disability
15 retirees of PFRS.