

SENATE, No. 378

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator McNAMARA

1 AN ACT concerning the calculation of pension benefits in the Public
2 Employees' Retirement System and supplementing P.L.1954, c.84
3 (C.43:15A-1 et seq.).
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5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

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8 1. The Legislature finds and determines that:

9 a. The practice whereby some members of the Public Employees'
10 Retirement System are able to retire with pension benefits which are
11 disproportionately higher than the employee and employer
12 contributions paid into the system is unfair to all other members and
13 costly for all public employers;

14 b. This practice is possible because the retirement system does not
15 distinguish between part-time and full-time service while length of
16 service is a major factor in determining the amount of a pension
17 benefit;

18 c. An equitable and financially sound pension policy should
19 distinguish between part-time and full-time employees or career
20 full-time employees; and

21 d. It is appropriate to adopt a pension calculation formula which,
22 by distinguishing between part-time and full-time service, will provide
23 equity for all members of the retirement system and eliminate the
24 financial burden on public employers.
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26 2. Notwithstanding any other law to the contrary:

27 a. A full-time account for the crediting of full-time service shall be
28 established for each member of the retirement system who renders
29 full-time service and a part-time account for the crediting of part-time
30 service shall be established for each member of the retirement system
31 who renders part-time service. For purposes of establishing service
32 credit in the retirement system, (1) the months and years of credit for
33 part-time service credited to a member's part-time account shall reflect
34 the entire months and years during which that service was rendered
35 and shall not be calculated as a proportion of full-time service; and (2)

1 part-time service may be combined with full-time service, except that
2 not more than one year shall be credited for any such combination of
3 full-time and part-time service rendered in one calendar year other
4 than in the calculation of the retirement allowance under subsections
5 b. and c. of this section.

6 b. In calculating any retirement allowance payable under section
7 38, subsection b. of section 41, sections 45 and 48, and subsection d.
8 of section 61 of P.L.1954, c.84 (C.43:15A-38, 41, 45, 48, 61) and
9 section 4 of P.L.1955, c.257 (C.43:15A-100), a member who has
10 established both part-time service credit and full-time service credit
11 shall receive a total retirement allowance consisting of the retirement
12 allowance determined by the part-time service credit and final
13 compensation received during the full-time service. The term "final
14 compensation," as defined in subsection h. of section 6 of P.L.1954,
15 c.84 (C.43:15A-6) and used in this subsection, shall be applied to the
16 relevant three years of creditable service in the full-time account.

17 c. In calculating any retirement allowance payable under
18 subsections a., b., and c. of section 61 of P.L.1954, c.84
19 (C.43:15A-61), a member who has established both part-time service
20 credit and full-time service credit shall receive a total retirement
21 allowance consisting of the retirement allowance determined by the
22 years of part-time service divided by the total years of service and
23 multiplied by $\frac{1}{2}$ of the compensation received during the last year of
24 full-time service.

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26 3. All previous service credited to a member on the effective date
27 of this act shall be credited as full-time service in the member's
28 full-time account.

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30 4. The employer of a member of the retirement system shall, upon
31 request, provide to the Division of Pensions any information and
32 records required to substantiate the classification of a member's service
33 as part-time or full-time.

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35 5. The Division of Pensions shall adopt rules and regulations
36 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
37 (C.52:14B-1 et seq.), to define part-time and full-time service.

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39 6. Section 5 of this act shall take effect immediately, and the
40 remainder of this act shall take effect on January 1, 1988 and shall
41 apply to new members and to the future service of current members.

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STATEMENT

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46 This bill is designed to eliminate the practice of pension-padding in

1 the Public Employees' Retirement System. Pension-padding is possible
2 in PERS because there is no distinction between part-time service and
3 full-time service, and a member may now combine part-time service
4 credit with full-time service credit and receive a pension which is out
5 of proportion to the contributions paid into the system by both the
6 employee and the employer.

7 Under the provisions of the bill, separate accounts will be
8 established for the crediting of part-time service and full-time service.
9 For purposes of establishing service credit, part-time service will
10 continue to be equivalent to full-time service, that is, a year of
11 part-time service will be equivalent to a year of full-time service, and
12 part-time service may be combined with full-time service, except that
13 not more than one year shall be credited for any such combination of
14 full-time and part-time service rendered in one calendar year other
15 than in the calculation of the retirement allowance.

16 In the case of a member who has both part-time and full-time
17 service credit and whose pension is based upon final compensation,
18 the highest average annual salary for three years, the retirement
19 allowance shall consist of a total retirement allowance determined on
20 the basis of the part-time service plus the full-time service credit and
21 final compensation received during the full-time service. If the
22 member is entitled to a pension based upon $\frac{1}{2}$ of the compensation
23 received in the last year of service, the total retirement allowance shall
24 consist of the retirement allowance determined by the years of
25 part-time service divided by the total years of service and multiplied
26 by $\frac{1}{2}$ of the compensation received during the last year of part-time
27 service plus the retirement allowance determined by the years of
28 full-time service divided by the total years of services and multiplied
29 by $\frac{1}{2}$ of the compensation received during the last year of full-time
30 service.

31 These calculations will not affect or reduce the pension of any
32 career part-time or career full-time member of the retirement system.

33 All previous service credited to a member on the effective date of
34 the act shall be credited as full-time service.

35 An employer shall, upon request, provide to the Division of
36 Pensions any information and records necessary to substantiate the
37 classification of a member's service as part-time or full-time.

38 Rules and regulations shall be adopted by the Division of Pensions
39 to define part-time and full-time service.

40 The provision requiring the Division of Pensions to adopt rules and
41 regulations shall take effect immediately, and the remainder of the act
42 shall take effect on January 1, 1988, and shall apply to all new
43 members and to the future service of current members.

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3 Establishes part-time and full-time accounts in PERS, and requires the
4 calculation of a retirement allowance on the basis of the separate
5 accounts.