

SENATE, No. 381

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 retirement allowances in certain
2 State-administered retirement systems, amending various parts of
3 the statutory law and supplementing Title 43 of the Revised
4 Statutes.

5

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

8

9 1. N.J.S.18A:66-2 is amended to read as follows:

10 18A:66-2. As used in this article:

11 a. "Accumulated deductions" means the sum of all the amounts,
12 deducted from the compensation of a member or contributed by him
13 or in his behalf, including interest credited to January 1, 1956, standing
14 to the credit of his individual account in the annuity savings fund.

15 b. "Annuity" means payments for life derived from the accumulated
16 deductions of a member as provided in this article.

17 c. "Beneficiary" means any person receiving a retirement allowance
18 or other benefit as provided in this article.

19 d. "Compensation" means the contractual salary, for services as a
20 teacher as defined in this article, which is in accordance with
21 established salary policies of the member's employer for all employees
22 in the same position but shall not include individual salary adjustments
23 which are granted primarily in anticipation of the member's retirement
24 [or], additional remuneration for performing temporary or
25 extracurricular duties beyond the regular school day or the regular
26 school year, or salary paid on a per diem basis. It does not include
27 that portion of salary in the last three years of creditable service which
28 exceeds the salary in the immediately preceding year of creditable
29 service by more than 10 per cent.

30 e. "Employer" means the State, the board of education or any
31 educational institution or agency of or within the State by which a
32 teacher is paid.

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 f. "Final compensation" means the average annual compensation
2 for which contributions are made for the three years of creditable
3 service in New Jersey immediately preceding his retirement or death,
4 or it shall mean the average annual compensation for New Jersey
5 service for which contributions are made during any three fiscal years
6 of his or her membership providing the largest possible benefit to the
7 member or his beneficiary.

8 g. "Fiscal year" means any year commencing with July 1, and
9 ending with June 30, next following.

10 h. "Pension" means payments for life derived from appropriations
11 made by the State or employers to the Teachers' Pension and Annuity
12 Fund.

13 i. "Annuity reserve" means the present value of all payments to be
14 made on account of any annuity or benefit in lieu of an annuity,
15 granted under the provisions of this article, computed on the basis of
16 such mortality tables recommended by the actuary as the board of
17 trustees adopts, with regular interest.

18 j. "Pension reserve" means the present value of all payments to be
19 made on account of any pension or benefit in lieu of a pension granted
20 to a member from the Teachers' Pension and Annuity Fund, computed
21 on the basis of such mortality tables recommended by the actuary as
22 the board of trustees adopts, with regular interest.

23 k. "Present-entrant" means any member of the Teachers' Pension
24 and Annuity Fund who had established status as a "present-entrant
25 member" of said fund prior to January 1, 1956.

26 l. "Rate of contribution initially certified" means the rate of
27 contribution certified by the retirement system in accordance with
28 N.J.S.18A:66-29.

29 m. "Regular interest" shall mean interest as determined annually by
30 the State Treasurer after consultation with the directors of the
31 Divisions of Investment and Pensions and the actuary of the fund. It
32 shall bear a reasonable relationship to the percentage rate of earnings
33 on investments but shall not exceed 105% of such percentage rate.

34 n. "Retirement allowance" means the pension plus the annuity.

35 o. "School service" means any service as a "teacher" as defined in
36 this section.

37 p. "Teacher" means any regular teacher, special teacher, helping
38 teacher, teacher clerk, principal, vice-principal, supervisor, supervising
39 principal, director, superintendent, city superintendent, assistant city
40 superintendent, county superintendent, State Commissioner or
41 Assistant Commissioner of Education, members of the State
42 Department of Education who are certificated, unclassified
43 professional staff and other members of the teaching or professional
44 staff of any class, public school, high school, normal school, model
45 school, training school, vocational school, truant reformatory school,
46 or parental school, and of any and all classes or schools within the

1 State conducted under the order and superintendence, and wholly or
2 partly at the expense of the State Board of Education, of a duly
3 elected or appointed board of education, board of school directors, or
4 board of trustees of the State or of any school district or normal
5 school district thereof, and any persons under contract or engagement
6 to perform one or more of these functions. It shall also mean any
7 person who serves, while on an approved leave of absence from
8 regular duties as a teacher, as an officer of a local, county or State
9 labor organization which represents, or is affiliated with an
10 organization which represents, teachers as defined in this subsection.
11 No person shall be deemed a teacher within the meaning of this article
12 who is a substitute teacher. In all cases of doubt the board of trustees
13 shall determine whether any person is a teacher as defined in this
14 article.

15 q. "Teachers' Pension and Annuity Fund," hereinafter referred to
16 as the "retirement system," is the corporate name of the arrangement
17 for the payment of retirement allowances and other benefits under the
18 provisions of this article, including the several funds placed under said
19 system. By that name all its business shall be transacted, its funds
20 invested, warrants for money drawn, and payments made and all of its
21 cash and securities and other property held.

22 r. "Veteran" means any honorably discharged officer, soldier,
23 sailor, airman, marine or nurse who served in any Army, Air Force or
24 Navy of the Allies of the United States in World War I between July
25 14, 1914, and November 11, 1918, or who served in any Army, Air
26 Force or Navy of the Allies of the United States in World War II,
27 between September 1, 1939, and September 2, 1945, and who was
28 inducted into such service through voluntary enlistment, and was a
29 citizen of the United States at the time of such enlistment, and who did
30 not, during or by reason of such service, renounce or lose his United
31 States citizenship, and any officer, soldier, sailor, marine, airman,
32 nurse or army field clerk who has served in the active military or naval
33 service of the United States and has or shall be discharged or released
34 therefrom under conditions other than dishonorable, in any of the
35 following wars, uprisings, insurrections, expeditions or emergencies,
36 and who has presented to the retirement system evidence of such
37 record of service in form and content satisfactory to said retirement
38 system:

39 (1) The Indian wars and uprisings during any of the periods
40 recognized by the War Department of the United States as periods of
41 active hostility;

42 (2) The Spanish-American War between April 20, 1898, and April
43 11, 1899;

44 (3) The Philippine insurrections and expeditions during the periods
45 recognized by the War Department of the United States as of active
46 hostility from February 4, 1899, to the end of 1913;

- 1 (4) The Peking relief expedition between June 20, 1900, and May
2 27, 1902;
- 3 (5) The army of Cuban occupation between July 18, 1898, and
4 May 20, 1902;
- 5 (6) The army of Cuban pacification between October 6, 1906, and
6 April 1, 1909;
- 7 (7) The Mexican punitive expedition between March 14, 1916, and
8 February 7, 1917;
- 9 (8) The Mexican border patrol, having actually participated in
10 engagements against Mexicans between April 12, 1911, and June 16,
11 1919;
- 12 (9) World War I, between April 6, 1917, and November 11, 1918;
- 13 (10) World War II, between September 16, 1940, and September
14 2, 1945, who shall have served at least 90 days in such active service,
15 exclusive of any period he was assigned (1) for a course of education
16 or training under the Army Specialized Training Program or the Navy
17 College Training Program, which course was a continuation of his
18 civilian course and was pursued to completion, or (2) as a cadet or
19 midshipman at one of the service academies, any part of which 90
20 days was served between said dates; provided that any person
21 receiving an actual service-incurred injury or disability shall be classed
22 as a veteran, whether or not he has completed the 90-day service as
23 herein provided;
- 24 (11) Korean conflict after June 23, 1950, and prior to July 27,
25 1953, who shall have served at least 90 days in such active service,
26 exclusive of any period he was assigned (1) for a course of education
27 or training under the Army Specialized Training Program or the Navy
28 College Training Program, which course was a continuation of his
29 civilian course and was pursued to completion, or (2) as a cadet or
30 midshipman at one of the service academies, any part of which 90 days
31 was served between said dates; provided that any person receiving an
32 actual service-incurred injury or disability shall be classed as a veteran,
33 whether or not he has completed the 90-day service as herein
34 provided; and provided further that any member classed as a veteran
35 pursuant to this subsection prior to August 1, 1966, shall continue to
36 be classed as a veteran, whether or not he completed the 90-day
37 service between said dates as herein provided;
- 38 (12) Vietnam conflict, after December 31, 1960, and prior to the
39 date of termination as proclaimed by the Governor, who shall have
40 served at least 90 days in such active service, exclusive of any period
41 he was assigned (1) for a course of education or training under the
42 Army Specialized Training Program or the Navy College Training
43 Program, which course was a continuation of his civilian course and
44 was pursued to completion, or (2) as a cadet or midshipman at one of
45 the service academies, any part of which 90 days was served between
46 said dates; and exclusive of any service performed pursuant to the

1 provisions of section 511(d) of Title 10, United States Code, pursuant
2 to an enlistment in the Army National Guard or as a reserve for service
3 in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps
4 Reserve, or Coast Guard Reserve; provided that any person receiving
5 an actual service-incurred injury or disability shall be classed as a
6 veteran, whether or not he has completed the 90-day service as herein
7 provided.

8 s. "Child" means a deceased member's unmarried child either (a)
9 under the age of 18 or (b) of any age who, at the time of the member's
10 death, is disabled because of mental retardation or physical incapacity,
11 is unable to do any substantial, gainful work because of the impairment
12 and his impairment has lasted or can be expected to last for a
13 continuous period of not less than 12 months, as affirmed by the
14 medical board.

15 t. "Widower" means the man to whom a member was married at
16 least five years before the date of her death and to whom she
17 continued to be married until the date of her death and who was
18 receiving at least one-half of his support from the member in the
19 12-month period immediately preceding the member's death or the
20 accident which was the direct cause of the member's death. The
21 dependency of such a widower will be considered terminated by
22 marriage of the widower subsequent to the death of the member. In
23 the event of the payment of an accidental death benefit, the five-year
24 qualification shall be waived.

25 u. "Widow" means the woman to whom a member was married at
26 least five years before the date of his death and to whom he continued
27 to be married until the date of his death and who was receiving at least
28 one-half of her support from the member in the 12-month period
29 immediately preceding the member's death or the accident which was
30 the direct cause of the member's death. The dependency of such a
31 widow will be considered terminated by the marriage of the widow
32 subsequent to the member's death. In the event of the payment of an
33 accidental death benefit, the five-year qualification shall be waived.

34 v. "Parent" means the parent of a member who was receiving at
35 least one-half of his support from the member in the 12-month period
36 immediately preceding the member's death or the accident which was
37 the direct cause of the member's death. The dependency of such a
38 parent will be considered terminated by marriage of the parent
39 subsequent to the death of the member.

40 w. "Medical board" means the board of physicians provided for in
41 N.J.S.18A:66-56.

42 (cf: P.L.1989, c.198, s.1)

43

44 2. N.J.S.18A:66-4 is amended to read as follows:

45 18A:66-4. The membership of the retirement system shall consist
46 of:

1 (a) all members of the teachers' pension and annuity fund enrolled
2 as such as of December 31, 1955;

3 (b) any person becoming a teacher on or after January 1, 1956,
4 except any person who has attained the age of 60 years prior to
5 becoming a teacher after June 30, 1958 but before July 1, 1968;

6 (c) every teacher veteran as of January 1, 1956, who is not a
7 member of the "Teachers' Pension and Annuity Fund" as of such date
8 and who shall not have notified the board of trustees within 30 days of
9 such date that he does not desire to become a member;

10 (d) any teacher employed on January 1, 1956, who is not a member
11 of the Teachers' Pension and Annuity Fund and who elects to become
12 a member under the provisions of section 18A:66-10.

13 No person in employment, office or position, for which the annual
14 salary or remuneration is fixed at less than ~~[\$500.00]~~ \$3,000 shall be
15 eligible to become a member of the retirement system.

16 (cf: P.L.1968, c.229, s.1)

17

18 3. N.J.S.18A:66-8 is amended to read as follows:

19 18A:66-8. If a teacher is dismissed by his employer by reason of
20 reduction in number of teachers employed in the school district,
21 institution or department when in the judgment of the employer it is
22 advisable to abolish any office, position or employment for reasons of
23 a reduction in the number of pupils, economy, a change in the
24 administrative or supervisory organization or other good cause; or if
25 a teacher becomes unemployed by reason of the creation of a regional
26 school district or a consolidated school district; or if a teacher has
27 been discontinued for service through no fault of his own or through
28 leave of absence granted by his employer or permitted by any law of
29 this State; and if such teacher has not withdrawn his accumulated
30 deductions, his membership may continue, notwithstanding any
31 provisions of this article if such member returns to service within a
32 period of 5 years from the date of his discontinuance from service; no
33 credit for retirement purposes shall be allowed to such member,
34 covering the period of his discontinuance except as provided in this
35 section. In computing the service or in computing final compensation
36 no time after September 1, 1919, during which a member was
37 employed as a teacher at an annual salary or remuneration fixed at less
38 than \$500.00, or on or after the effective date of this amendatory and
39 supplementary act, P.L. , c. , at an annual salary or remuneration
40 fixed at less than \$3,000, shall be credited, except that in the case of
41 a veteran member credit shall be given for service rendered prior to
42 January 1, 1955, in an employment, office or position if the annual
43 salary or remuneration therefor was fixed at not less than \$300.00 and
44 such service consisted of the performance of the full duties of such
45 employment, office or position. In computing service, time during
46 which such teacher was absent on an official leave without pay shall

1 be credited if such absence was for a period of (1) less than 3 months
2 or (2) up to a maximum of 2 years if the leave was due to the
3 member's personal illness or maternity and the period of leave is
4 allowed for retirement purposes within 1 year following his return to
5 service after the termination of such leave, or (3) the period of leave
6 was specifically allowed for retirement purposes by the provisions of
7 any law of this State. The method of computation, the terms of the
8 purchase and credit granted shall be identical to those stipulated for
9 the purchase of previous membership service by members of the fund
10 as provided by section 18A:66-9.

11 (cf: P.L.1971, c.121, s.3)

12

13 4. N.J.S.18A:66-15 is amended to read as follows:

14 18A:66-15. In computing for retirement or for purposes of
15 resignation or separation from service under sections 18A:66-36 and
16 18A:66-37 the total service of a member about to be retired, the
17 retirement system shall credit him with all service rendered by him
18 since he last became a member and in addition, with all the service to
19 which he is entitled and with no other service. Except as otherwise
20 provided in this article, such service credit shall be final and conclusive
21 for retirement purposes, or for purposes of resignation under sections
22 18A:66-36 and 18A:66-37, unless the member shall discontinue his
23 service for more than two consecutive years.

24 For the purpose of computing service for retirement purposes, the
25 board of trustees shall fix and determine by appropriate rules and
26 regulations how much service in any year shall equal a year of service
27 and part of a year of service. Not more than one year shall be credited
28 for all service in a calendar year.

29 A member may not receive credit for service during the year
30 immediately preceding retirement, except for disability retirement, for
31 any period of sick leave which did not accrue in that year unless the
32 employer certifies to the board of trustees that the member is incapable
33 of performing the duties of the member's position or any other work
34 the employer is willing to give the member during the period of the
35 leave because of physical or mental incapacity and provides
36 information satisfactory to the board of the physical or mental
37 incapacity. The board shall refer such a case to the medical board for
38 its opinion on the physical or mental incapacity of the member and
39 shall require the member to have an examination by a physician
40 designated by the board before service credit for the sick leave is
41 approved.

42 (cf: N.J.S.18A:66-15)

43

44 5. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read as
45 follows:

46 6. As used in this act:

- 1 a. "Accumulated deductions" means the sum of all the amounts,
2 deducted from the compensation of a member or contributed by him
3 or on his behalf, standing to the credit of his individual account in the
4 annuity savings fund.
- 5 b. "Annuity" means payments for life derived from the accumulated
6 deductions of a member as provided in this act.
- 7 c. "Annuity reserve" means the present value of all payments to be
8 made on account of any annuity or benefit in lieu of an annuity,
9 granted under the provisions of this act, computed on the basis of such
10 mortality tables recommended by the actuary as the board of trustees
11 adopts, with regular interest.
- 12 d. "Beneficiary" means any person receiving a retirement allowance
13 or other benefit as provided in this act.
- 14 e. "Child" means a deceased member's unmarried child either (1)
15 under the age of 18 or (2) of any age who, at the time of the member's
16 death, is disabled because of mental retardation or physical incapacity,
17 is unable to do any substantial, gainful work because of the impairment
18 and his impairment has lasted or can be expected to last for a
19 continuous period of not less than 12 months, as affirmed by the
20 medical board.
- 21 f. "Parent" shall mean the parent of a member who was receiving
22 at least 1/2 of his support from the member in the 12-month period
23 immediately preceding the member's death or the accident which was
24 the direct cause of the member's death. The dependency of such a
25 parent will be considered terminated by marriage of the parent
26 subsequent to the death of the member.
- 27 g. "Widower" means the man to whom a member was married at
28 least 5 years before the date of her death and to whom she continued
29 to be married until the date of her death and who was receiving at least
30 1/2 of his support from the member in the 12-month period
31 immediately preceding the member's death or the accident which was
32 the direct cause of the member's death. The dependency of such a
33 widower will be considered terminated by marriage of the widower
34 subsequent to the death of the member. In the event of the payment
35 of an accidental death benefit, the 5-year qualification shall be waived.
- 36 h. "Final compensation" means the average annual compensation
37 for which contributions are made for the 3 years of creditable service
38 in New Jersey immediately preceding his retirement or death, or it
39 shall mean the average annual compensation for New Jersey service
40 for which contributions are made during any 3 fiscal years of his or her
41 membership providing the largest possible benefit to the member or his
42 beneficiary.
- 43 i. "Fiscal year" means any year commencing with July 1 and
44 ending with June 30 next following.
- 45 j. "Medical board" shall mean the board of physicians provided for
46 in section 17 (C.43:15A-17).

1 k. "Pension" means payments for life derived from appropriations
2 made by the employer as provided in this act.

3 l. "Pension reserve" means the present value of all payments to be
4 made on account of any pension or benefit in lieu of a pension granted
5 under the provisions of this act, computed on the basis of such
6 mortality tables recommended by the actuary as the board of trustees
7 adopts, with regular interest.

8 m. "Public Employees' Retirement System of New Jersey,"
9 hereinafter referred to as the "retirement system," is the corporate
10 name of the arrangement for the payment of retirement allowances and
11 other benefits under the provisions of this act including the several
12 funds placed under said system. By that name all of its business shall
13 be transacted, its funds invested, warrants for money drawn, and
14 payments made and all of its cash and securities and other property
15 held.

16 n. "Regular interest" shall mean interest as determined annually by
17 the State Treasurer after consultation with the Directors of the
18 Divisions of Investment and Pensions and the actuary of the system.
19 It shall bear a reasonable relationship to the percentage rate of
20 earnings on investments but shall not exceed 105% of such percentage
21 rate.

22 o. "Retirement allowance" means the pension plus the annuity.

23 p. "Veteran" means any honorably discharged officer, soldier,
24 sailor, airman, marine or nurse who served in any Army, Air Force or
25 Navy of the Allies of the United States in World War I, between July
26 14, 1914, and November 11, 1918, or who served in any Army, Air
27 Force or Navy of the Allies of the United States in World War II,
28 between September 1, 1939, and September 2, 1945, and who was
29 inducted into such service through voluntary enlistment, and was a
30 citizen of the United States at the time of such enlistment, and who did
31 not, during or by reason of such service, renounce or lose his United
32 States citizenship, and any officer, soldier, sailor, marine, airman,
33 nurse or army field clerk, who has served in the active military or naval
34 service of the United States and has or shall be discharged or released
35 therefrom under conditions other than dishonorable, in any of the
36 following wars, uprisings, insurrections, expeditions, or emergencies,
37 and who has presented to the retirement system evidence of such
38 record of service in form and content satisfactory to said retirement
39 system:

40 (1) The Indian wars and uprisings during any of the periods
41 recognized by the War Department of the United States as periods of
42 active hostility;

43 (2) The Spanish-American War between April 20, 1898, and April
44 11, 1899;

45 (3) The Philippine insurrections and expeditions during the periods
46 recognized by the War Department of the United States as of active

- 1 hostility from February 4, 1899, to the end of 1913;
- 2 (4) The Peking relief expedition between June 20, 1900, and May
3 27, 1902;
- 4 (5) The army of Cuban occupation between July 18, 1898, and
5 May 20, 1902;
- 6 (6) The army of Cuban pacification between October 6, 1906, and
7 April 1, 1909;
- 8 (7) The Mexican punitive expedition between March 14, 1916, and
9 February 7, 1917;
- 10 (8) The Mexican border patrol, having actually participated in
11 engagements against Mexicans between April 12, 1911, and June 16,
12 1919;
- 13 (9) World War I, between April 6, 1917, and November 11, 1918;
- 14 (10) World War II, between September 16, 1940, and September
15 2, 1945, who shall have served at least 90 days in such active service,
16 exclusive of any period he was assigned (1) for a course of education
17 or training under the Army Specialized Training Program or the Navy
18 College Training Program which course was a continuation of his
19 civilian course and was pursued to completion, or (2) as a cadet or
20 midshipman at one of the service academies any part of which 90 days
21 was served between said dates; provided, that any person receiving an
22 actual service-incurred injury or disability shall be classed as a veteran
23 whether or not he has completed the 90-day service as herein
24 provided.
- 25 (11) Korean conflict after June 23, 1950, and prior to July 27,
26 1953, who shall have served at least 90 days in such active service,
27 exclusive of any period he was assigned (1) for a course of education
28 or training under the Army Specialized Training Program or the Navy
29 College Training Program which course was a continuation of his
30 civilian course and was pursued to completion, or (2) as a cadet or
31 midshipman at one of the service academies, any part of which 90 days
32 was served between said dates; provided, that any person receiving an
33 actual service-incurred injury or disability shall be classed as a veteran
34 whether or not he has completed the 90-day service as herein
35 provided; and provided further, that any member classed as a veteran
36 pursuant to this subparagraph prior to August 1, 1966, shall continue
37 to be classed as a veteran whether or not he completed the 90-day
38 service between said dates as herein provided.
- 39 (12) Vietnam conflict after December 31, 1960, and prior to the
40 date of termination as proclaimed by the Governor, who shall have
41 served at least 90 days in such active service, exclusive of any period
42 he was assigned (1) for a course of education or training under the
43 Army Specialized Training Program or the Navy College Training
44 Program which course was a continuation of his civilian course and
45 was pursued to completion, or (2) as a cadet or midshipman at one of
46 the service academies, any part of which 90 days was served between

1 said dates; and exclusive of any service performed pursuant to the
2 provisions of section 511(d) of Title 10, United States Code, pursuant
3 to an enlistment in the Army National Guard or as a reserve for service
4 in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps
5 Reserve, or Coast Guard Reserve; provided, that any person receiving
6 an actual service-incurred injury or disability shall be classed as a
7 veteran whether or not he has completed the 90 days service as herein
8 provided.

9 q. "Widow" means the woman to whom a member was married at
10 least 5 years before the date of his death and to whom he continued to
11 be married until the date of his death and who was receiving at least
12 1/2 of her support from the member in the 12-month period
13 immediately preceding the member's death or the accident which was
14 the direct cause of the member's death. The dependency of such a
15 widow will be considered terminated by the marriage of the widow
16 subsequent to the member's death. In the event of the payment of an
17 accidental death benefit, the 5-year qualification shall be waived.

18 r. "Compensation" means the base or contractual salary, for
19 services as an employee, which is in accordance with established salary
20 policies of the member's employer for all employees in the same
21 position but shall not include individual salary adjustments which are
22 granted primarily in anticipation of the member's retirement [or],
23 additional remuneration for performing temporary or extracurricular
24 duties beyond the regular work day or the regular work year, or salary
25 paid on a per diem basis. In cases where salary includes maintenance,
26 the retirement system shall fix the value of that part of the salary not
27 paid in money which shall be considered under this act. It does not
28 include that portion of salary in the last three years of creditable
29 service which exceeds the salary in the immediately preceding year of
30 creditable service by more than 10 per cent. For an office, position or
31 employment where salary is paid to the officer or employee in whole
32 or in part on a voucher, fee schedule or basis other than regular salary
33 payments but not on a per diem basis, it does include the total amount
34 of the payments to the officer or employee for the services which
35 constitute the regular duties of the office, position or employment
36 during the normal work period regardless of the manner of payment.
37 (cf: P.L.1972, c.166, s.3)

38
39 6. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read as
40 follows:

41 7. There is hereby established the Public Employees' Retirement
42 System of New Jersey in the Division of Pensions of the Department
43 of the Treasury. The membership of the retirement system shall
44 include:

45 a. The members of the former "State Employees' Retirement
46 System of New Jersey" enrolled as such as of December 30, 1954,

1 who shall not have claimed for refund their accumulated deductions in
2 said system as provided in this section;

3 b. Any person becoming an employee of the State or other
4 employer after January 2, 1955 and every veteran, other than those
5 whose appointments are seasonal, becoming an employee of the State
6 or other employer after such date, including a temporary employee
7 with at least one year's continuous service; and

8 c. Every employee veteran in the employ of the State or other
9 employer on January 2, 1955, who is not a member of any retirement
10 system supported wholly or partly by the State.

11 d. Membership in the retirement system shall be optional for
12 elected officials other than veterans, and for school crossing guards,
13 who having become eligible for benefits under other pension systems
14 are so employed on a part-time basis. Any such part-time school
15 crossing guard who is eligible for benefits under any other pension
16 system and who was hired as a part-time school crossing guard prior
17 to March 4, 1976, may at any time terminate his membership in the
18 retirement system by making an application in writing to the board of
19 trustees of the retirement system. Upon receiving such application,
20 the board of trustees shall terminate his enrollment in the system and
21 direct the employer to cease accepting contributions from the member
22 or deducting from the compensation paid to the member. State
23 employees who become members of any other retirement system
24 supported wholly or partly by the State as a condition of employment
25 shall not be eligible for membership in this retirement system.
26 Notwithstanding any other law to the contrary, all other persons
27 accepting employment in the service of the State shall be required to
28 enroll in the retirement system as a condition of their employment,
29 regardless of age. No person in employment, office or position, for
30 which the annual salary or remuneration is fixed at less
31 than[~~\$1,500.00~~] \$3,000, shall be eligible to become a member of the
32 retirement system, except that a person in an elected municipal office
33 for which the annual salary or remuneration is at least \$1,500 shall be
34 eligible for membership.

35 e. Membership of any person in the retirement system shall cease
36 if he shall discontinue his service for more than two consecutive years.

37 f. The accumulated deductions of the members of the former "State
38 Employees' Retirement System" which have been set aside in a trust
39 fund designated as Fund A as provided in section 5 of this act and
40 which have not been claimed for refund prior to February 1, 1955 shall
41 be transferred from said Fund A to the Annuity Savings Fund of the
42 Retirement System, provided for in section 25 of this act. Each
43 member whose accumulated deductions are so transferred shall receive
44 the same prior service credit, pension credit, and membership credit in
45 the retirement system as he previously had in the former "State
46 Employees' Retirement System" and shall have such accumulated

1 deductions credited to his individual account in the Annuity Savings
2 Fund. Any outstanding obligations of such member shall be continued.

3 g. Any school crossing guard electing to terminate his membership
4 in the retirement system pursuant to subsection d. of this section shall,
5 upon his request, receive a refund of his accumulated deductions as of
6 the date of his appointment to the position of school crossing guard.
7 Such refund of contributions shall serve as a waiver of all benefits
8 payable to the employee, to his dependent or dependents, or to any of
9 his beneficiaries under the retirement system.

10 h. A temporary employee who is employed under the federal Job
11 Training Partnership Act, Pub.L. 97-300 (29 U.S.C. § 1501) shall not
12 be eligible for membership in the system. Membership for temporary
13 employees employed under the federal Job Training Partnership Act,
14 Pub.L. 97-300 (29 U.S.C. § 1501) who are in the system on the
15 effective date of this 1986 amendatory act shall be terminated, and
16 affected employees shall receive a refund of their accumulated
17 deductions as of the date of commencement of employment in a
18 federal Job Training Partnership Act program. Such refund of
19 contributions shall serve as a waiver of all benefits payable to the
20 employee, to his dependent or dependents, or to any of his
21 beneficiaries under the retirement system.

22 (cf: P.L.1986, c.139, s.1)

23

24 7. Section 39 of P.L.1954, c.84 (C.43:15A-39) is amended to read
25 as follows:

26 39. In computing for retirement purposes the total service as a
27 member about to be retired, the retirement system shall credit him with
28 the time of all service rendered by him since he last became a member,
29 and in addition with all the service to which he is entitled and with no
30 other service. Except as otherwise provided in this act, such service
31 credit shall be final and conclusive for retirement purposes unless the
32 member shall discontinue his service for more than two consecutive
33 years.

34 For the purpose of computing service for retirement purposes, the
35 board shall fix and determine by appropriate rules and regulations how
36 much service in any year shall equal a year of service and a part of a
37 year of service. Not more than one year shall be credited for all service
38 in a calendar year. In computing service, time during which a member
39 was absent on an official leave without pay shall be credited, if such
40 absence was for a period of (1) less than three months, or (2) up to a
41 maximum of two years if the leave was due to the member's personal
42 illness or maternity and the period of leave is allowed for retirement
43 purposes within one year following his return to service after the
44 termination of such leave, or (3) the period of leave was specifically
45 allowed for retirement purposes by the provisions of any law of this
46 State. The method of computation, the terms of the purchase and

1 credit granted shall be identical to those stipulated for the purchase of
2 previous membership service by members of the system as provided by
3 section 8 (C.43:15A-8). In computing the service or in computing
4 final compensation no time during which a member was in
5 employment, office, or position, for which the annual salary or
6 remuneration was fixed at less than~~[\$1,500.00,]~~ \$3,000 shall be
7 credited, except that in the case of a veteran member credit shall be
8 given for service rendered prior to January 2, 1955, in an employment,
9 office or position if the annual salary or remuneration therefor was
10 fixed at not less than \$300.00 and such service consisted of the
11 performance of the full duties of such employment, office or position
12 and in the case of a member who served in an elected municipal office
13 credit shall be given if the annual salary or remuneration was at least
14 \$1,500.

15 A member may not receive credit for service during the year
16 immediately preceding retirement, except for disability retirement, for
17 any period of sick leave which did not accrue in that year unless the
18 employer certifies to the board of trustees that the member is incapable
19 of performing the duties of the member's position or any other work
20 the employer is willing to give the member during the period of the
21 leave because of physical or mental incapacity and provides
22 information satisfactory to the board of the physical or mental
23 incapacity. The board shall refer such a case to the medical board for
24 its opinion on the physical or mental incapacity of the member and
25 shall require the member to have an examination by a physician
26 designated by the board before service credit for the sick leave is
27 approved.

28 (cf: P.L.1986, c.139, s.2)

29

30 8. Section 65 of P.L.1954, c.84 (C.43:15A-65) is amended to read
31 as follows:

32 65. (a) All employees of any public agency or organization of this
33 State, which employs persons engaged in service to the public, shall be
34 eligible to participate in the Public Employees' Retirement System;
35 provided the employer consents thereto by resolution and files a
36 certified copy of such resolution with the board of trustees of the
37 Public Employees' Retirement System and the board of trustees
38 approves thereof by resolution. Such organization shall be referred to
39 in this act as the employer. If the participation of such employees is
40 so approved then the employer shall contribute to the contingent
41 reserve fund on account of its members at the same rate per centum as
42 would be paid by employers other than the State.

43 (b) Notwithstanding the provisions of subsection (a) of this
44 section, every person becoming an employee of a public agency or
45 organization of this State, which employs persons engaged in service
46 to the public, after June 30, 1966, who is not eligible to become a

1 member of any other retirement system, shall be required to participate
2 in the Public Employees' Retirement System. Notwithstanding the
3 provisions of subsection (a) of this section, membership in the Public
4 Employees' Retirement System shall be optional with any person in the
5 employ of any such public agency or organization on June 30, 1966,
6 provided such person is not required to be a member pursuant to
7 another provision of this act, and provided further that such person is
8 not eligible to be a member of any other retirement system. The
9 provisions of this subsection shall not apply to any person whose
10 position is temporary or seasonal, nor to any person in office, position
11 or employment for which the annual salary or remuneration is fixed at
12 less than ~~[\$1,500.00]~~ \$3,000, or less than \$1,500 in the case of an
13 elected municipal official, nor to any person whose position is not
14 covered by the old-age and survivors' insurance provisions of the
15 federal Social Security Act. The public agency or organization
16 employing any such person who becomes a member of the retirement
17 system pursuant to this subsection shall contribute to the contingent
18 reserve fund on account of such employees at the same rate per
19 centum as would be paid by employers other than the State.

20 (cf: P.L.1986, c.139, s.3)

21

22 9. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to read
23 as follows:

24 75. (a) If this act is so adopted it shall become effective in the
25 county or municipality adopting it on June 30 of the following year.
26 Membership in the Public Employees' Retirement System shall be
27 optional with the employees of the county, board of education or
28 municipality in the service on the day the act becomes effective or on
29 June 30, 1966, whichever is earlier, in such county, board of education
30 or municipality except in the case of public employee veterans who on
31 such date are members. An employee who elects to become a member
32 within one year after this act so takes effect shall be entitled to prior
33 service covering service rendered to the county, board of education or
34 municipality prior to July 1, 1966 or prior to the date this act so
35 becomes effective, whichever is earlier. Membership shall be
36 compulsory for all employees entering the service of the county, board
37 of education or municipality on July 1, 1966 or after the date this act
38 becomes effective, whichever is earlier. Where any such employee
39 entering the service of the county, board of education of education or
40 municipality after the date this act so becomes effective has had prior
41 service for which evidence satisfactory to the retirement system is
42 presented, as an employee in such county, board of education or
43 municipality before the date upon which this act so becomes effective,
44 or July 1, 1966, whichever is earlier, such employee shall be entitled
45 to prior service covering service rendered to the county, board of
46 education or municipality prior to the date this act so becomes

1 effective, or July 1, 1966, whichever is earlier.

2 (b) Notwithstanding the provisions of section 74 of this act and
3 subsection (a) of this section, every person, other than a non-veteran
4 elected official, becoming an employee of a county, board of
5 education, municipality or school district after June 30, 1966, who is
6 not eligible to become a member of another retirement system, shall be
7 required to become a member of the Public Employees' Retirement
8 System. Notwithstanding the provisions of section 74 of this act and
9 subsection (a) of this section, membership in the retirement system
10 shall be optional with any elected official who is not a veteran,
11 regardless of the date he assumes office, and with any other person in
12 the employ of any county, board of education, municipality or school
13 district on June 30, 1966, provided such elected official or other
14 person is not then a member and is not required to be a member of the
15 retirement system pursuant to another provision of this act, and
16 provided further that such person is not eligible to be a member of
17 another retirement system. The provisions of this subsection shall not
18 apply to any person whose position is temporary or seasonal, nor to
19 any person in office, position or employment for which the annual
20 salary or remuneration is fixed at less than ~~[\$1,500.00]~~ \$3,000, or less
21 than \$1,500 in the case of an elected municipal official, nor to any
22 person whose position is not covered by the old age and survivors'
23 insurance provisions of the federal Social Security Act. No credit shall
24 be allowed to any person becoming a member of the retirement system
25 pursuant to this subsection for service rendered to the employer prior
26 to July 1, 1966, until the provisions of section 74 of this act have been
27 complied with, in which event such credit shall be allowed in
28 accordance with the provisions of subsection (a) of this section; except
29 that the governing body of any county, board of education or
30 municipality may, by resolution, consent to the allowance of such
31 credit and file a certified copy of such resolution with the board of
32 trustees of the Public Employees' Retirement System.

33 (cf: P.L.1986, c.139, s.4)

34

35 10. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to read
36 as follows:

37 1. As used in this act:

38 (1) "Retirement system" shall mean the Police and Firemen's
39 Retirement System of New Jersey as defined in section 2 of this act.

40 (2) (a) "Policeman" shall mean a permanent, full-time employee of
41 a law enforcement unit as defined in section 2 of P.L.1961, c.56
42 (C.52:17B-67) or the State, other than an officer or trooper of the
43 Division of State Police whose position is covered by the State Police
44 Retirement System, whose primary duties include the investigation,
45 apprehension or detention of persons suspected or convicted of
46 violating the criminal laws of the State and who:

- 1 (i) is authorized to carry a firearm while engaged in the actual
2 performance of his official duties;
- 3 (ii) has police powers;
- 4 (iii) is required to complete successfully the training requirements
5 prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.) or comparable
6 training requirements as determined by the board of trustees; and
- 7 (iv) is subject to the physical and mental fitness requirements
8 applicable to the position of municipal police officer established by an
9 agency authorized to establish these requirements on a Statewide
10 basis, or comparable physical and mental fitness requirements as
11 determined by the board of trustees.

12 The term shall also include an administrative or supervisory
13 employee of a law enforcement unit or the State whose duties include
14 general or direct supervision of employees engaged in investigation,
15 apprehension or detention activities or training responsibility for these
16 employees and a requirement for engagement in investigation,
17 apprehension or detention activities if necessary, and who is
18 authorized to carry a firearm while in the actual performance of his
19 official duties and has police powers.

20 (b) "Fireman" shall mean a permanent, full-time employee of a
21 firefighting unit whose primary duties include the control and
22 extinguishment of fires and who is subject to the training and physical
23 and mental fitness requirements applicable to the position of municipal
24 firefighter established by an agency authorized to establish these
25 requirements on a Statewide basis, or comparable training and physical
26 and mental fitness requirements as determined by the board of trustees.
27 The term shall also include an administrative or supervisory employee
28 of a firefighting unit whose duties include general or direct supervision
29 of employees engaged in fire control and extinguishment activities or
30 training responsibility for these employees and a requirement for
31 engagement in fire control and extinguishment activities if necessary.
32 As used in this paragraph, "firefighting unit" shall mean a municipal
33 fire department, a fire district, or an agency of a county or the State
34 which is responsible for control and extinguishment of fires.

35 (3) "Member" shall mean any policeman or fireman included in the
36 membership of the retirement system pursuant to this amendatory and
37 supplementary act, P.L.1989, c.204 (C.43:16A-15.6 et al.).

38 (4) "Board of trustees" or "board" shall mean the board provided
39 for in section 13 of this act.

40 (5) "Medical board" shall mean the board of physicians provided
41 for in section 13 of this act.

42 (6) "Employer" shall mean the State of New Jersey, the county,
43 municipality or political subdivision thereof which pays the particular
44 policeman or fireman.

45 (7) "Service" shall mean service as a policeman or fireman paid for
46 by an employer.

1 (8) "Creditable service" shall mean service rendered for which
2 credit is allowed as provided under section 4 of this act.

3 (9) "Regular interest" shall mean interest as determined annually by
4 the State Treasurer after consultation with the Directors of the
5 Divisions of Investment and Pensions and the actuary of the system.
6 It shall bear a reasonable relationship to the percentage rate of
7 earnings on investments but shall not exceed 105% of such percentage
8 rate.

9 (10) "Aggregate contributions" shall mean the sum of all the
10 amounts, deducted from the compensation of a member or contributed
11 by him or on his behalf, standing to the credit of his individual account
12 in the annuity savings fund.

13 (11) "Annuity" shall mean payments for life derived from the
14 aggregate contributions of a member.

15 (12) "Pension" shall mean payments for life derived from
16 contributions by the employer.

17 (13) "Retirement allowance" shall mean the pension plus the
18 annuity.

19 (14) "Earnable compensation" shall mean the full rate of the salary
20 that would be payable to an employee if he worked the full normal
21 working time for his position. In cases where salary includes
22 maintenance, the retirement system shall fix the value of that part of
23 the salary not paid in money which shall be considered under this act.

24 (15) "Average final compensation" shall mean the average annual
25 salary upon which contributions are made for the three years of
26 creditable service immediately preceding his retirement or death, or it
27 shall mean the average annual salary for which contributions are made
28 during any three fiscal years of his or her membership providing the
29 largest possible benefit to the member or his beneficiary.

30 (16) "Retirement" shall mean the termination of the member's
31 active service with a retirement allowance granted and paid under the
32 provisions of this act.

33 (17) "Annuity reserve" shall mean the present value of all payments
34 to be made on account of any annuity or benefit in lieu of any annuity
35 computed upon the basis of such mortality tables recommended by the
36 actuary as shall be adopted by the board of trustees, and regular
37 interest.

38 (18) "Pension reserve" shall mean the present value of all payments
39 to be made on account of any pension or benefit in lieu of any pension
40 computed upon the basis of such mortality tables recommended by the
41 actuary as shall be adopted by the board of trustees, and regular
42 interest.

43 (19) "Actuarial equivalent" shall mean a benefit of equal value
44 when computed upon the basis of such mortality tables recommended
45 by the actuary as shall be adopted by the board of trustees, and regular
46 interest.

1 (20) "Beneficiary" shall mean any person receiving a retirement
2 allowance or other benefit as provided by this act.

3 (21) "Child" shall mean a deceased member's or retirant's
4 unmarried child (a) under the age of 18, or (b) 18 years of age or older
5 and enrolled in a secondary school, or (c) under the age of 24 and
6 enrolled in a degree program in an institution of higher education for
7 at least 12 credit hours in each semester, provided that the member
8 died in active service as a result of an accident met in the actual
9 performance of duty at some definite time and place, and the death
10 was not the result of the member's willful misconduct, or (d) of any
11 age who, at the time of the member's or retirant's death, is disabled
12 because of mental retardation or physical incapacity, is unable to do
13 any substantial, gainful work because of the impairment and his
14 impairment has lasted or can be expected to last for a continuous
15 period of not less than 12 months, as affirmed by the medical board.

16 (22) "Parent" shall mean the parent of a member who was receiving
17 at least one-half of his support from the member in the 12-month
18 period immediately preceding the member's death or the accident
19 which was the direct cause of the member's death. The dependency of
20 such a parent will be considered terminated by marriage of the parent
21 subsequent to the death of the member.

22 (23) "Widower" shall mean the man to whom a member or retirant
23 was married at least two years before the date of her death and to
24 whom she continued to be married until the date of her death and who
25 was receiving at least one-half of his support from the member or
26 retirant in the 12-month period immediately preceding the member's or
27 retirant's death or the accident which was the direct cause of the
28 member's death. The dependency of such a widower will be
29 considered terminated by marriage of the widower subsequent to the
30 death of the member or retirant. In the event of the payment of an
31 accidental death benefit, the two-year qualification shall be waived.

32 (24) "Widow" shall mean the woman to whom a member or retirant
33 was married at least two years before the date of his death and to
34 whom he continued to be married until the date of his death and who
35 has not remarried. In the event of the payment of an accidental death
36 benefit, the two-year qualification shall be waived.

37 (25) "Fiscal year" shall mean any year commencing with July 1, and
38 ending with June 30, next following.

39 (26) "Compensation" shall mean the base salary, for services as a
40 member as defined in this act, which is in accordance with established
41 salary policies of the member's employer for all employees in the same
42 position but shall not include individual salary adjustments which are
43 granted primarily in anticipation of the member's retirement [or],
44 additional remuneration for performing temporary duties beyond the
45 regular workday, or salary paid on a per diem basis. It does not
46 include that portion of salary in the last three years of creditable

1 service which exceeds the salary in the immediately preceding year of
2 creditable service by more than 10 per cent.

3 (27) "Department" shall mean any police or fire department of a
4 municipality or a fire department of a fire district located in a township
5 or a county police or park police department or the appropriate
6 department of the State or instrumentality thereof.

7 (28) "Final compensation" means the compensation received by the
8 member in the last 12 months of creditable service preceding his
9 retirement.

10 (cf: P.L.1989, c.204, s.1)

11

12 11. Section 4 of P.L.1944, c.255 (C.43:16A-4) is amended to read
13 as follows:

14 4. Only service as a policeman or fireman paid for by an employer,
15 which was rendered by a member since he became a member, or, since
16 he last became a member in case of a break in service, plus service, if
17 any, covered by a prior service liability, shall be considered as
18 creditable service for the purposes of this act, except that temporary
19 service as a policeman or fireman may also be considered as creditable
20 service if it results, without interruption, in a valid permanent or
21 probational appointment as a policeman or fireman and the member
22 agrees during his first year of membership in the retirement system, or
23 within 1 year after the effective date of this 1975 amendatory act, to
24 make contributions covering such temporary service on the basis of
25 rates established by the actuary.

26 A member may not receive credit for service during the year
27 immediately preceding retirement, except for disability retirement, for
28 any period of sick leave which did not accrue in that year unless the
29 employer certifies to the board of trustees that the member is incapable
30 of performing the duties of the member's position or any other work
31 the employer is willing to give the member during the period of the
32 leave because of physical or mental incapacity and provides
33 information satisfactory to the board of the physical or mental
34 incapacity. The board shall refer such a case to the medical board for
35 its opinion on the physical or mental incapacity of the member and
36 shall require the member to have an examination by a physician
37 designated by the board before service credit for the sick leave is
38 approved.

39 (cf: P.L.1975, c.388, s.1)

40

41 12. Section 3 of P.L.1965, c.89 (C.53:5A-3) is amended to read as
42 follows:

43 3. As used in this act:

44 a. "Aggregate contributions" means the sum of all the amounts,
45 deducted from the salary of a member or contributed by him or on his
46 behalf, standing to the credit of his individual account in the Annuity

1 Savings Fund. Interest credited on contributions to the former "State
2 Police Retirement and Benevolent Fund" shall be included in a
3 member's aggregate contributions.

4 b. "Annuity" means payments for life derived from the aggregate
5 contributions of a member.

6 c. "Annuity reserve" means the present value of all payments to be
7 made on account of any annuity or benefit in lieu of an annuity,
8 computed upon the basis of such mortality tables recommended by the
9 actuary as the board of trustees adopts and regular interest.

10 d. "Beneficiary" means any person entitled to receive any benefit
11 pursuant to the provisions of this act by reason of the death of a
12 member or retirant.

13 e. "Board of trustees" or "board" means the board provided for in
14 section 30 of this act.

15 f. "Child" means a deceased member's or retirant's unmarried child
16 either (a) under the age of 18 or (b) of any age who, at the time of the
17 member's or retirant's death, is disabled because of mental retardation
18 or physical incapacity, is unable to do any substantial, gainful work
19 because of the impairment and his impairment has lasted or can be
20 expected to last for a continuous period of not less than 12 months, as
21 affirmed by the medical board.

22 g. "Creditable service" means service rendered for which credit is
23 allowed on the basis of contributions made by the member or the
24 State.

25 h. "Parent" means the parent of a member who was receiving at
26 least one-half of his support from the member in the 12-month period
27 immediately preceding the member's death or the accident which was
28 the direct cause of the member's death. The dependency of such a
29 parent will be considered terminated by marriage of the parent
30 subsequent to the death of the member.

31 i. "Final compensation" means the average compensation received
32 by the member in the last 12 months of creditable service preceding his
33 retirement or death. Such term includes the value of the member's
34 maintenance allowance for this same period.

35 j. "Final salary" means the average salary received by the member
36 in the last 12 months of creditable service preceding his retirement or
37 death. Such term shall not include the value of the member's
38 maintenance allowance.

39 k. "Fiscal year" means any year commencing with July 1 and ending
40 with June 30 next following.

41 l. "Medical board" means the board of physicians provided for in
42 section 30 of this act.

43 m. "Member" means any full-time, commissioned officer,
44 non-commissioned officer or trooper of the Division of State Police of
45 the Department of Law and Public Safety of the State of New Jersey
46 enrolled in the retirement system established by this act.

- 1 n. "Pension" means payment for life derived from contributions by
2 the State.
- 3 o. "Pension reserve" means the present value of all payments to be
4 made on account of any pension or benefit in lieu of any pension
5 computed on the basis of such mortality tables recommended by the
6 actuary as shall be adopted by the board of trustees and regular
7 interest. p. "Regular interest" means interest as determined annually
8 by the State Treasurer after consultation with the Directors of the
9 Divisions of Investment and Pensions and the actuary of the system.
10 It shall bear a reasonable relationship to the percentage rate of
11 earnings on investments but shall not exceed 105% of such percentage
12 rate.
- 13 q. "Retirant" means any former member receiving a retirement
14 allowance as provided by this act.
- 15 r. "Retirement allowance" means the pension plus the annuity.
- 16 s. "State Police Retirement System of New Jersey," herein also
17 referred to as the "retirement system," is the corporate name of the
18 arrangement for the payment of retirement allowances and of the
19 benefits under the provisions of this act including the several funds
20 placed under said system. By that name, all of its business shall be
21 transacted, its funds invested, warrants for moneys drawn, and
22 payments made and all of its cash and securities and other property
23 held. All assets held in the name of the former "State Police
24 Retirement and Benevolent Fund" shall be transferred to the retirement
25 system established by this act.
- 26 t. "Surviving spouse" means the person to whom a member or a
27 retirant was married on the date of the death of the member or retirant.
28 The dependency of such a surviving spouse will be considered
29 terminated by the marriage of the surviving spouse subsequent to the
30 member's or the retirant's death.
- 31 u. "Compensation" for purposes of computing pension
32 contributions means the base salary, for services as a member as
33 defined in this act, which is in accordance with established salary
34 policies of the State for all employees in the same position but shall
35 not include individual salary adjustments which are granted primarily
36 in anticipation of the member's retirement [or], additional
37 remuneration for performing temporary duties beyond the regular
38 work day or shift, or salary paid on a per diem basis. It does not
39 include that portion of salary in the last three years of creditable
40 service which exceeds the salary in the immediately preceding year of
41 creditable service by more than 10 per cent.
42 (cf: P.L.1985, c.355, s.1)
- 43
- 44 13. Section 6 of P.L.1965, c.89 (C.53:5A-6) is amended to read as
45 follows:
- 46 6. a. Service as a full-time commissioned officer,

1 noncommissioned officer or trooper rendered as a member, and service
2 credit which was transferred from the former "State Police Retirement
3 and Benevolent Fund," shall, if the required contributions are made by
4 the State and the member, be considered as creditable service. In
5 addition, service as a chief inspector, deputy chief inspector, inspector
6 and special inspector in the Division of Motor Vehicles or equivalent
7 Civil Service classifications, including Chief, Highway Patrol Bureau;
8 Assistant Chief (Major), Highway Patrol Bureau; Captain, Highway
9 Patrol Bureau; Lieutenant, Highway Patrol Bureau; Sergeant, Highway
10 Patrol Bureau; and Officer, Highway Patrol Bureau, and service credit
11 may be transferred from the Police and Firemen's Retirement System
12 and the Public Employees' Retirement System and shall, if the required
13 contributions are made by the State and the member, be considered as
14 creditable service. A member on suspension shall be considered in
15 service for the period of the suspension, but the period of suspension
16 shall not be considered as creditable service unless the member
17 receives salary therefor.

18 If an employee's membership has been terminated and he is
19 re-enrolled as a member of the retirement system, he may purchase
20 credit for all of his previous membership service by paying into the
21 annuity savings fund the amount required by applying the factor,
22 supplied by the actuary, as being applicable to his age at the time of
23 the purchase, to his salary at that time. Such purchase may be made
24 in regular installments equal to at least 1/2 the normal contribution to
25 the retirement system, over a maximum period of 10 years. In order
26 to give to such person the same credit for such service as he had at the
27 time of termination, his pension credit shall be restored as it was at the
28 time of his termination, upon the completion of 1 year of membership
29 after his election to make the purchase and the payment of at least 1/2
30 the total amount due, except that in the case of retirement pursuant to
31 sections 8, 27 and 28 of chapter 89 of the laws of 1965, the credit
32 granted for the service being purchased shall be in direct proportion as
33 the amount paid bears to the total amount of the arrearage obligation.

34 b. Any member of the retirement system, who, prior to becoming
35 a member, had established service credits in another retirement system
36 supported in whole or in part by the State, or who had rendered
37 service to the State prior to becoming a member, or had purchased
38 service credits while in the Police and Firemen's Retirement System or
39 the Public Employees' Retirement System, while serving as chief
40 inspector, deputy chief inspector, inspector or special inspector in the
41 Enforcement Bureau, Division of Motor Vehicles, for which he desires
42 to establish credit in this retirement system, shall be permitted to
43 purchase such credit or to transfer such previously purchased credit.
44 If such credit is established, it shall be included in the computation of
45 a retirement allowance on the basis of 1% of final compensation for
46 each year of such service credit.

1 c. Not more than 1 year shall be credited for all service in a
2 calendar year.

3 d. In computing service, time during which a member was absent
4 on an official leave without pay shall be credited if such leave was for
5 a period of: (1) less than 3 months; or (2) up to a maximum of 2
6 years, if the leave was due to the member's personal illness and the
7 period of leave is allowed for retirement purposes within 1 year
8 following his return to service after the termination of such leave.

9 e. The method of computation and the terms of the purchase of
10 service permitted by subsections b. and d. of this section shall be
11 identical to those stipulated for the purchase of previous membership
12 service by members of the system, as provided by subsection a. of this
13 section.

14 f. A member may not receive credit for service during the year
15 immediately preceding retirement, except for disability retirement, for
16 any period of sick leave which did not accrue in that year unless the
17 employer certifies to the board of trustees that the member is incapable
18 of performing the duties of the member's position or any other work
19 the employer is willing to give the member during the period of the
20 leave because of physical or mental incapacity and provides
21 information satisfactory to the board of the physical or mental
22 incapacity. The board shall refer such a case to the medical board for
23 its opinion on the physical or mental incapacity of the member and
24 shall require the member to have an examination by a physician
25 designated by the board before service credit for the sick leave is
26 approved.

27 (cf: P.L.1983, c.403, s.38)

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29 14. (New section) A public authority, board, commission, agency
30 or other instrumentality established under the law of this State which
31 is authorized to participate in a retirement system established under the
32 laws of this State may not provide additional or supplemental
33 retirement benefits paid in whole or in part by the public body unless
34 specifically authorized by law.

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36 15. This act shall take effect on the first day of the first full
37 calendar month which is more than 90 days after the date of
38 enactment.

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STATEMENT

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43 This bill eliminates the potential for certain abuses in the calculation
44 of retirement allowances in the major State-administered retirement
45 systems. It amends the statutes governing the Teachers' Pension and
46 Annuity Fund (TPAF), the Public Employees' Retirement System

1 (PERS), the Police and Firemen's Retirement System (PFRS), and the
2 State Police Retirement System (SPRS).

3 One of the major problems faced by these systems is extraordinary
4 salary increases received by members near the time of retirement which
5 result in extraordinary increases in retirement allowances granted to
6 the members. Actuarial tables assume that a member will receive
7 salary increases of 5% to 5 1/2% over the span of a career. When a
8 member receives a salary increase near retirement which is
9 substantially greater than this assumption, the moneys contributed by
10 the member and the employer of the member are not sufficient to fund
11 the retirement allowance, and the cost of the shortfall must be paid by
12 the participating employers. This bill addresses the problem by
13 limiting salary increases which may be used in the calculation of
14 retirement allowances to 10% a year for the three years immediately
15 preceding retirement.

16 Another problem, which exists primarily in PERS, is the ability to
17 earn credit in the retirement system on the basis of a very low salary.
18 Certain types of professional employees, such as attorneys or doctors,
19 participate in the system on a low salary, but earn a substantial amount
20 of additional compensation on a fee or voucher basis. This additional
21 compensation is not creditable for pension purposes and is not subject
22 to employee contributions. Near retirement, these employees often
23 take full-time positions and obtain retirement allowances based upon
24 the substantially higher salaries of those positions. This bill addresses
25 the problem in two ways. First, the minimum salary for participation
26 in PERS and TPAF is raised to \$3,000. Second, if an employee is
27 paid in whole or in part on a voucher, fee schedule, or basis other than
28 regular salary payments, the total amount of the payments shall be
29 included for pension purposes and shall be subject to pension
30 contributions.

31 The abuse of sick leave is another problem which needs to be
32 addressed. Employees with a substantial amount of accrued sick leave
33 can often take an extended sick leave on full salary near the time of
34 retirement. As long as they remain on the payroll, they continue to
35 receive pension credit for this time. Sick leave is not an unconditional
36 grant of leave to public employees, however, but rather a benefit to be
37 used in the actual event of illness. This bill provides that a member
38 may not receive credit for sick leave in the year before retirement,
39 except for disability retirement, which did not accrue in that year
40 unless the employer certifies that the employee was actually physically
41 or mentally incapable of performing the duties of the member's
42 position. Provision is made to refer these cases to the medical board
43 of a retirement system for its opinion.

44 Another problem arises from participation in a retirement system,
45 primarily PERS, by persons who receive per diem compensation. If
46 this compensation is at least the minimum required for enrollment,

1 these persons become members of the retirement system. This
2 provides another opportunity, however, for persons to earn cheap
3 service credit which is then used to gain a substantial retirement
4 allowance based upon the salary of a full-time position obtained near
5 the time of retirement. Under the provisions of this bill, per diem
6 compensation is excluded from the compensation used in the
7 calculation of a retirement allowance.

8 Finally, some of the autonomous public authorities and commissions
9 which participate in State-administered retirement systems also
10 provide additional retirement benefits at the employer's expense.
11 Employees of the State and local governments cannot receive similar
12 benefits. This bill provides that any autonomous body which
13 participates in a State-administered retirement system may not provide
14 additional or supplemental benefits paid in whole or in part by the
15 employer unless specifically authorized by law.

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20 Eliminates potential for certain abuses in calculation of retirement
21 allowance in TPAF, PERS, PFRS and SPRS.