

[Passed Both Houses]

[First Reprint]

SENATE, No. 1119

STATE OF NEW JERSEY

INTRODUCED MAY 9, 1996

By Senator **INVERSO**, Assemblyman **Blee**
and Assemblywoman **Murphy**

1 AN ACT conforming the administration of ¹[certain]¹ State-
2 administered retirement systems ¹[and pension funds]¹ to federal
3 Internal Revenue Code requirements¹, establishing certain non-
4 forfeitable pension rights.¹ and supplementing Title 43 of the
5 Revised Statutes.

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

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

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted April 17, 1997.

1 within the taxable year or thereafter, be used for or diverted to
2 purposes other than for the exclusive benefit of the members or their
3 beneficiaries.

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5 2. Notwithstanding any law, rule or regulation to the contrary, the
6 contributions ¹to¹ and benefits payable under the Teachers' Pension
7 and Annuity Fund, the Judicial Retirement System, the Prison Officers'
8 Pension Fund, the Public Employees' Retirement System, the
9 Consolidated Police and Firemen's Pension Fund, the Police and
10 Firemen's Retirement System, ¹[and]¹ the State Police Retirement
11 System¹ and the Alternate Benefit Program¹ shall ¹[be subject to] not
12 exceed¹ the limitations provided under section 415 of the federal
13 Internal Revenue Code ¹[with any exceptions as may be permitted for
14 governmental plans]¹. ¹The Division of Pensions and Benefits in the
15 Department of the Treasury shall be responsible for implementation
16 and enforcement of these limitations.¹

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18 ¹3. Notwithstanding any law, rule or regulation to the contrary, for
19 members of the Teachers' Pension and Annuity Fund, the Judicial
20 Retirement System, the Public Employees' Retirement System, the
21 Police and Firemen's Retirement System, and the State Police
22 Retirement System, the amount of compensation which may be used
23 for member contributions and benefits under the retirement systems
24 after June 30, 1996 shall not exceed the compensation limitation of
25 section 401 (a) (17) of the federal Internal Revenue Code of 1986, (26
26 U.S.C. §401 (a) (17)), as amended pursuant to section 13212 of the
27 Omnibus Budget Reconciliation Act of 1993, Pub. L.103-66, 107 Stat.
28 312 or as hereafter amended or supplemented, to the extent applicable
29 to governmental plans. The provisions of this section shall not be
30 applicable to members enrolled prior to July 1, 1996 if the employer
31 of the members certifies to the Director of the Division of Pensions
32 and Benefits, in the form and manner prescribed by the director, prior
33 to July 1, 1997, that the employer will pay the additional cost for not
34 applying the limit to the members.¹

35
36 ¹4. Notwithstanding any law, rule or regulation to the contrary, for
37 members of the Alternate Benefit Program, the amount of
38 compensation which may be used for employer and member
39 contributions and benefits under the program after June 30, 1996 shall
40 not exceed the compensation limitation of section 401 (a) (17) of the
41 federal Internal Revenue Code of 1986, (26 U.S.C. §401 (a) (17)), as
42 amended pursuant to section 13212 of the Omnibus Budget
43 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as
44 hereafter amended or supplemented, to the extent applicable to
45 governmental plans. The provisions of this section shall not be
46 applicable to members enrolled prior to July 1, 1996 if the employer

1 of the members certifies to the Director of the Division of Pensions
2 and Benefits, in the form and manner prescribed by the director, prior
3 to July 1, 1997, that the employer will pay the additional cost for not
4 applying the limit to the members.¹

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6 ¹5. a. For purposes of this section, a "non-forfeitable right to
7 receive benefits" means that the benefits program, for any employee
8 for whom the right has attached, cannot be reduced. The provisions
9 of this section shall not apply to post-retirement medical benefits
10 which are provided pursuant to law.

11 b. Vested members of the Teachers' Pension and Annuity Fund, the
12 Judicial Retirement System, the Prison Officers' Pension Fund, the
13 Public Employees' Retirement System, the Consolidated Police and
14 Firemen's Pension Fund, the Police and Firemen's Retirement System,
15 and the State Police Retirement System, upon the attainment of five
16 years of service credit in the retirement system or fund or on the date
17 of enactment of this bill, whichever is later, shall have a non-forfeitable
18 right to receive benefits as provided under the laws governing the
19 retirement system or fund upon the attainment of five years of service
20 credit in the retirement system or fund or on the effective date of this
21 act, whichever is later.

22 c. The State shall make an annual normal contribution and an
23 annual unfunded accrued liability contribution to each system or fund
24 pursuant to standard actuarial practices authorized by law, unless both
25 of the following conditions are met: (1) there is no existing unfunded
26 accrued liability contribution due to the system or fund at the close of
27 the valuation period applicable to the upcoming fiscal year; and (2)
28 there are excess valuation assets in excess of the actuarial accrued
29 liability of the system or fund at the close of the valuation period
30 applicable to the upcoming fiscal year.

31 d. This act shall not be construed to preclude forfeiture, suspension
32 or reduction in benefits for dishonorable service.

33 e. Except as expressly provided herein and only to the extent so
34 expressly provided, nothing in this act shall be deemed to (1) limit the
35 right of the State to alter, modify or amend such retirement systems
36 and funds, or (2) create in any member a right in the corpus or
37 management of a retirement system or pension fund.¹

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39 ¹[3.] 6.¹ This act shall take effect immediately.

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44 Confirms administration of State-administered retirement systems to
45 federal IRC requirements; establishes certain non-forfeitable pension
46 rights.