

SENATE, No. 1752

STATE OF NEW JERSEY

INTRODUCED DECEMBER 19, 1996

By Senator PALAIA

1 AN ACT concerning early retirement incentives for certain members of
2 the Public Employees' Retirement System and the Teachers' Pension
3 and Annuity Fund who are employed by school boards, educational
4 services commissions and jointure commissions.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. Upon the adoption by resolution of the provisions of this act on
10 or before December 31, 1997 by a school board, educational services
11 commission or jointure commission, and written notification by the
12 school board, educational services commission or jointure commission
13 to the board of trustees of the Public Employees' Retirement System
14 (PERS), the Teachers' Pension and Annuity Fund (TPAF), or both, as
15 appropriate, and to the State Health Benefits Commission established
16 by section 3 of P.L.1961, c.49 (C.52:14-17.27), on or before January
17 1, 1998, that the school board, educational services commission or
18 jointure commission has so adopted those provisions, an employee of
19 that school board, educational services commission or jointure
20 commission who:

21 a. is at least 50 years of age and has at least 25 years of service
22 credit under the Public Employees' Retirement System (PERS) or the
23 Teachers' Pension and Annuity Fund (TPAF);

24 b. files an application to retire on or after January 1, 1998 and on
25 or before June 1, 1998; and

26 c. retires under the retirement system on or after February 1, 1998,
27 but not later than July 1, 1998, other than a veteran who retires on a
28 special veteran's retirement, shall receive an additional five years of
29 service credit under PERS or TPAF.

30 An employee who meets the age and service credit requirements
31 and retires on a special veteran's retirement under PERS or TPAF shall
32 receive an additional pension under the retirement system in the
33 amount of 5/60 of final year compensation. The additional retirement
34 benefit under this section is applicable only to the employment with the
35 employer which elects to provide the benefits authorized under this
36 section and from which the employee retires to receive the benefit and
37 the compensation for that employment.

1 A resolution adopting the provisions of this act shall provide for
2 extension of the benefits coverage provided hereunder to all eligible
3 employees of the school board, educational services commission or
4 jointure commission, and any such resolution which would extend such
5 coverage only to some of those employees or exclude some of those
6 employees from such coverage shall be void.

7 Any former employee on January 1, 1998 of a school board,
8 educational services commission or jointure commission that has
9 adopted the provisions of this act who retired under PERS or TPAF
10 on or after July 1, 1997 and on or before January 1, 1998 and who, at
11 the time of retirement, met the age and service requirements specified
12 in subsection a. of this section shall receive, effective January 1, 1998,
13 the appropriate additional retirement benefits provided under this
14 section.

15
16 2. For an employee of a school board, educational services
17 commission or jointure commission which shall have adopted the
18 provisions of this act and given notice thereof as provided in section
19 1 who:

20 a. is at least 60 years of age and has at least 20, but less than 25,
21 years of service credit under the Public Employees' Retirement System
22 (PERS) or the Teachers' Pension and Annuity Fund (TPAF);

23 b. files an application to retire on or after January 1, 1998 and on
24 or before June 1, 1998; and

25 c. retires under the retirement system on or after February 1, 1998,
26 but not later than July 1, 1998, the retired employee and that
27 employee's dependents, but not including survivors, shall be eligible
28 for the benefits provided under the "New Jersey State Health Benefits
29 Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.) in the same
30 manner provided for retired State employees under subsection c. of
31 section 8 of that act (C.52:14-17.32). Any former employee on
32 January 1, 1998 of a school board, educational services commission or
33 jointure commission that has adopted the provisions of this act who
34 retired under PERS or TPAF on or after July 1, 1997 and on or before
35 January 1, 1998 and who, at the time of retirement, met the age and
36 service requirements specified in subsection a. of this section shall also
37 be eligible, effective January 1, 1998, for the benefits provided under
38 this section. For each retired employee and for that employee's eligible
39 dependents, the school board, educational services commission or
40 jointure commission, as the case may be, shall pay the premium or
41 periodic charges for benefits provided under this section to that retired
42 employee and the employee's dependents, but not including survivors,
43 in the same manner as provided for payment by the State of the
44 premium or charges with respect to active covered State employees
45 and their dependents under section 6 of P.L.1961, c.49
46 (C.52:14-17.30).

1 3. For an employee of a school board, educational services
2 commission or jointure commission which shall have adopted the
3 provisions of this act and given notice thereof as provided in section
4 1 who:

5 a. is at least 60 years of age and has at least 10, but less than 20,
6 years of service credit under the Public Employees' Retirement System
7 (PERS) or the Teachers' Pension and Annuity Fund (TPAF);

8 b. files an application to retire on or after January 1, 1998 and on
9 or before June 1, 1998; and

10 c. retires under the retirement system on or after February 1, 1998,
11 but not later than July 1, 1998, the employer shall pay an additional
12 pension of \$500 per month in each of the 24 months following the date
13 of retirement.

14

15 4. The actuaries for PERS and TPAF shall determine the liability
16 of the retirement systems for the additional service credit or pensions
17 provided under this act and for the early retirement of employees in
18 accordance with the tables of actuarial assumptions adopted by the
19 board of trustees of the retirement system.

20 For PERS, this liability shall be paid by the employer in level annual
21 payments over the remaining time period provided for payment of the
22 unfunded accrued liability of the retirement system under section 24
23 of P.L.1954, c.84 (C.43:15A-24) or over lesser alternative time
24 periods as determined by the Director of the Division of Pensions and
25 Benefits.

26 For TPAF, this liability shall be paid by the employer in level annual
27 payments over the remaining time period provided for the unfunded
28 accrued liability of the system under N.J.S.18A:66-18 or over lesser
29 alternative time periods as determined by the Director of the Division
30 of Pensions and Benefits. The retirement system shall annually certify
31 to each employer the contributions due to the contingent reserve fund
32 for the liability under this act. The contributions certified by the
33 retirement system shall be paid by the employer to the retirement
34 system on or before the date prescribed by law for payment of
35 employer contributions for basic retirement benefits. If payment of the
36 full amount of the contribution certified is not made within 30 days
37 after the last date for payment of employer contributions for basic
38 retirement benefits, interest at the rate of 10% per year shall begin to
39 run against the unpaid balance on the first day after the thirtieth day.

40 The employer shall pay the cost of the actuarial work to determine
41 the additional liability of the retirement system for the benefits under
42 this act which shall be included in the initial contribution required from
43 the employer.

44

45 5. An employee who receives a benefit under this act shall forfeit
46 all tenure rights.

1 6. Where the needs of a school board, educational services
2 commission or jointure commission require the services of an
3 employee who elects to retire on July 1, 1998 and receive a benefit
4 under this act, the school board, educational services commission or
5 jointure commission may delay, with the consent of the employee, the
6 effective retirement date of the employee until the first day of any
7 calendar month after July 1, 1998, but not later than July 1, 1999. A
8 delay in the effective retirement date of an employee shall not extend
9 the dates set forth in sections 1 through 3 to qualify for benefits under
10 this act.

11 For a member of PERS or TPAF whose effective retirement date is
12 delayed under this section and who dies before the retirement becomes
13 effective, the retirement shall be effective as of the first day of the
14 month after the date of death of the member if the member's surviving
15 beneficiary requests in writing to the board of trustees of the
16 retirement system that the retirement be effective under the option
17 settlement selected by the member, or under Option 3 if the member
18 did not select an option.

19

20 7. An employee retiring under PERS or TPAF with a benefit under
21 this act on or after February 1, 1998, but not later than July 1, 1998,
22 who has not repaid the full amount of a loan from the retirement
23 system by the effective date of retirement, may repay the loan through
24 deductions from the member's retirement benefit payments in the same
25 monthly amount which was deducted from the member's compensation
26 immediately preceding retirement until the balance of the amount
27 borrowed together with interest at the statutory rate is repaid. If the
28 retiree dies before the outstanding balance of the loan and interest is
29 repaid, the remaining amount shall be repaid as provided in section 2
30 of P.L.1981, c.55 (C.43:15A-34.1) or section 2 of P.L.1981, c.212
31 (C.18A:66-35.1), as appropriate.

32

33 8. For the purposes of this act:

34 a. "School board" means the board of education of any local school
35 district, consolidated school district, regional school district, county
36 special services school district, or county vocational school.

37 b. "Educational services commission" means an agency established
38 in one or more counties for the purpose of carrying on programs of
39 educational research and development and providing to public school
40 districts such educational and administrative services as may be
41 authorized pursuant to rules of the State Board of Education.

42 c. "Jointure commission" means a commission set up by two or
43 more boards of education to carry out jointly by agreement the duties
44 imposed upon them in regard to the education and training of
45 handicapped pupils.

46 d. "Final year compensation" means the compensation received in

1 the last 12 months immediately preceding retirement in which
2 compensation is received and upon which contributions are made by
3 the employee to the retirement system.

4
5 9. The Director of the Division of Pensions and Benefits may
6 promulgate rules and regulations which the director deems necessary
7 for the effective implementation of this act.

8
9 10. This act shall take effect immediately.

10
11
12 STATEMENT

13
14 This bill provides for additional benefits for certain employees of a
15 local school board, educational services commission or jointure
16 commission who retire under the Public Employees' Retirement
17 System (PERS) or the Teachers' Pension and Annuity Fund (TPAF)
18 between February 1, 1998 and July 1, 1998 if the school board,
19 educational services commission or jointure commission elects to
20 provide the benefits. An employee of such an employer who retires
21 under either of the two systems between July 1, 1997 and January 1,
22 1998 will be eligible for benefits on January 1, 1998 if that employee
23 met the age and service requirements set forth in the bill upon the date
24 of retirement.

25 The additional benefits for which the bill provides are as follows:

26 (1) An employee who is at least 50 years of age and has at least 25
27 years of service credit under PERS or TPAF as of the effective date
28 of retirement will receive an additional five years of service credit
29 under the respective retirement systems;

30 (2) An employee veteran who meets the age and service credit
31 requirements for and retires on special veteran's retirement under
32 PERS and TPAF will receive an additional pension under the
33 appropriate retirement system in the amount of 5/60 of final-year
34 compensation;

35 (3) An employee who is at least 60 years of age and has at least 20,
36 but less than 25, years of service as of the effective date of retirement
37 will receive payment of premiums for retired coverage under the State
38 Health Benefits Program for self and dependents, but not including
39 survivors, whether or not the employer participates in SHBP with
40 respect to its active employees;

41 (4) An employee who is at least 60 years of age with at least 10,
42 but less than 20, years of service credit will receive an additional
43 pension of \$500 per month for the 24 months following retirement.

44 An employee retiring under PERS or TPAF under the provisions of
45 this legislation who has an outstanding loan balance upon retirement
46 is to have the option of repaying the balance plus interest by

1 deductions from retirement benefit payments in the same monthly
2 amount that was deducted from the employee's compensation
3 preceding retirement.

4 Where the needs of an employer require the services of an employee
5 who elects to receive a benefit under the act, the employer may delay,
6 with the consent of the employee, the effective retirement date of the
7 employee for up to one year, but not later than July 1, 1999. The
8 authorization for delays in effective retirement dates does not extend
9 the dates for qualification for benefits under the legislation.

10 The cost of the enhanced pension benefits for PERS and TPAF
11 members will be funded through employer contributions which will be
12 paid by school boards, educational services commissions or jointure
13 commissions, as the case may be, to the retirement systems and which
14 will be calculated separately for each entity. The cost of the health
15 benefits payments for eligible retirees will be paid by the employer on
16 a current cost basis.

17 The employees eligible for the benefits under this legislation are all
18 eligible to retire under their respective retirement systems. It is hoped
19 that these additional benefits will induce a large number of them to
20 retire and thus assist in reducing the workforce in school districts and
21 education commissions in this time of fiscal crisis.

22

23

24

25

26 Provides additional retirement benefits for certain members of PERS
27 and TPAF who are employed by school boards, educational services
28 commissions and jointure commissions.