

# NEW JERSEY STATE AFL-CIO

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## Summary of Recently Enacted Bills Reducing Certain Public Employee Benefits

Please note that changes specified for "new employees" in the bills would also affect current employees if they leave the system and return after a break in service.

The bills take effect on the 60th day after enactment. They were signed into law on March 22, 2010. Therefore, they take affect May 21, 2010.

As of 3/22/10, SCR-1 has only passed the State Senate.

### **1. Pension Legislation (S-2) & SCR-1 (Constitutional Amendment)**

#### **A. Defined Benefit Pension for Full Time Employees Only**

The bill requires that all **new** employees must be considered full time to become members of the TPAF and PERS. Full time is defined as 35 hours per week for State employees or 32 hours per week for school employees.

Part time employees would be eligible for enrollment in the Defined Contribution Retirement Program (DCRP) if their salary exceeded \$5,000. No pension is available to employees earning less than \$5,000.

#### **B. Change the Benefit Formula to N/60**

The bill reduces the benefits formula for **new** members in PERS and TPAF from n/55 to n/60.

#### **C. Change Final Average Salary Calculation**

The bill changes the calculation for Final Average Salary for **new** members in TPAF and PERS from an average of the member's three highest years to an average of the member's five highest years.

The bill also changes the provisions of PFRS and SPRS for **new** members from the current compensation according to the final year of service to the average of the members three highest years.

#### **D. Designate One Job for One Pension**

The bill allows one position per employee for pension purposes for **new** members in both TPAF and PERS.

E. Repeal of Non-Forfeitable Right

The bill would take away from **new** employees the non-forfeitable right to receive benefits once they accumulate five years of service. A “non-forfeitable right” means that the benefits program cannot be reduced for employees once they reach five years of service. This provision is for new members of the TPAF, the Judicial Retirement System (JRS), the Prison Officers' Pension Fund, the PERS, the Consolidated Police and Firemen's Pension Fund, the PFRS, and the SPRS.

F. Maximum Compensation for PFRS and SPRS:

The maximum compensation upon which contributions will be made for PFRS and SPRS for **new** members will be the amount of base salary equivalent to the annual maximum wage contribution base for Social Security (\$106,800 for 2010), with a member becoming a participant of the DCRP with regard to any amount over the maximum.

G. Elimination of PFRS Benefit Enhancement:

The benefit enhancement in the PFRS that would permit a member of the PFRS to retire, at any age after 25 years of service credit, on a special retirement allowance of 70 percent of final compensation after the retirement system reaches a funded level of 104% is eliminated.

H. Closes the Prosecutors Part of PERS:

**New** members will be enrolled in the “regular” PERS system.

I. Mandatory Funding of Pension Systems

The bill requires that the State and sub-divisions (local governments, agencies, boards, commissions and authorities), beginning July 1, 2011, makes in full the annual employer’s contribution, as computed by the actuaries, to any defined benefit retirement system or fund administered by the State.

The State would be allowed to phase in its obligation by making at least 1/7th of the full contribution in the first year and an additional 1/7th per year until payment of the full contribution is made in the seventh fiscal year and each year after.

The passage of SCR- 1 (constitutional amendment) by both houses places the question on the ballot. It must be approved by the voters. As of 3/22/10, SCR-1 has only passed the State Senate.

## **2. Health Benefits Bill (S-3)**

A. Mandatory Premium Sharing – Active Employees

The bill requires **all active** employees of the State, local governments, county colleges, and boards of education to contribute 1.5% of base salary toward the cost of their health care coverage under SHBP and SEHBP. The provision would begin with the expiration of existing contracts.

The contribution required for **new** State employees in retirement will not be waived for a retiree who participates in the New Jersey Retirees' Wellness Program.

B. Mandatory Premium Sharing - Retirees

The bill requires **new** employees in SHBP and SEHBP (not already employed) to pay 1.5% of their pension benefit in retirement toward post-retirement medical benefits.

C. Full Time Employee Definition for Health Insurance

This bill limits **new** members' enrollment (after the bill's effective date) in the SHBP to a person who:

1) is a full time appointive or elective officer of the State or local government whose hours of work are fixed at 35 or more per week, a full-time employee of the State, or a full-time employee other than the State whose hours of work are fixed by the governing body at not less than 25 hours per week;

or 2) an appointive or elective officer, an employee of the State, or an employee of an employer other than the State who has or is eligible for health benefits coverage in SHBP on that effective date and continuously thereafter. The bill similarly limits enrollment in the SEHBP to persons employed full-time whose hours of work are fixed by the governing body at not less than 25 hours per week.

3) for the SEHBP to those working 25 hours or more per week. Currently a member must work at least 20 hours to be eligible for health insurance. The number of hours can be negotiated higher.

D. Consistent Benefits for All Public Employees

The bill requires that changes, such as deductibles, in health care benefits negotiated by state employees in the SHBP be the same for local government employees and school employees.

E. Choice of Plans

This allows local governments and boards of education to negotiate through collective bargaining a limit of plans offered by the SEHBP or SHBP.

F. Waiver on Health Insurance

This bill sets that the waiver incentive be set at 25% of the amount saved by the employer and caps the amount at \$5,000. This will apply to waivers filed after the bill's effective date. The current limit is 50%.

G. No Duplicate Coverage

The bill prohibits individuals from being covered under more than one SHBP and/or SEHBP plan, eliminating coordination of benefits within the plans.

### 3. "Miscellaneous" Bill

#### A. Limit Accumulated Sick Leave Compensation to \$15,000

The bill limits **new** employees' compensation for accumulated unused sick leave to a maximum of \$15,000, which can only be paid at retirement.

#### B. Limit Accumulated Vacation Leave to One Year

The bill would limit new employees' vacation leave carry-over to one year, unless that vacation leave that could not be used because of an emergency declared by the governor in which case it might accumulate subject to certain limits.

#### C. Termination of State Sick Leave Injury Program/ Disability Retirements

The bill terminates the sick leave injury program for state employees who are injured or who become ill directly as a result of state employment after the bill's effective date or after the expiration of current collective negotiation agreements.

It also eliminates accidental and ordinary disability retirement for new PERS and TPAF members. Those members will be eligible for disability insurance coverage similar to that provided by the State currently to individuals enrolled in the Defined Contribution Retirement Program.

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