

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

April 21, 1986

## SENATE BILL NO. 1471 (2nd OCR)

To the Senate:

Pursuant to Article V, Section 1, Paragraph 14 of the Constitution, I herewith return Senate Bill No. 1471 (2nd OCR) with my recommendations for reconsideration.

Senate Bill No. 1471 (2nd OCR) would supplement the law governing the Public Employees' Retirement System (PERS) to make membership in the pension system optional for employees working in a federal Job Training Partnership Act (JTPA) program in any of the 19 service delivery areas of the State. An affected employee must provide written notice of a decision not to enroll in the PERS within 90 days of the effective date of this act, or within 90 days of eligibility for membership, whichever date is later. The provisions of this act would apply only to JTPA employees not enrolled in the PERS as of the effective date of this act.

I support the purpose for which Senate Bill No. 1471 (2nd OCR) was introduced. This bill is designed to ensure that JTPA employees will not be terminated because employers must use their limited financial resources for pension contributions, rather than for salaries.

Job Training Partnership Act programs have limited financial resources for two reasons. The programs are limited in the amount that they may spend on administration. Administrative expenses include pension contributions and salaries. Additionally, JTPA programs are being affected by budget reductions in domestic programs at the federal level. The combination of a limitation on administrative expenses and a decline in federal funding means that if administrators of JTPA programs must spend administrative dollars on pension contributions, less will remain for employee salaries. The result will be immediate layoffs.

While I support the purpose for which Senate Bill No. 1471 (2nd OCR) was introduced, I must return the bill so that it may be amended in two areas.

Senate Bill No. 1471 (2nd OCR) must be amended to broaden its scope. In its current form, Senate Bill No. 1471 (2nd OCR) would apply only to

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

2

JTPA employees not currently enrolled in the PERS. I am advised that this will not assist the majority of service delivery areas in the State because many of their employees are already in the system. Accordingly, I recommend that Senate Bill No. 1471 (2nd OCR) be amended to make its provisions apply to all JTPA employees, regardless of whether they are currently enrolled in the PERS.

I also recommend that Senate Bill No. 1471 (2nd OCR) be amended to delete the provision making membership in the PERS optional for JTPA employees. The Division of Pensions advises that making pension membership optional for any group of public employees would set an undesirable precedent that could affect the actuarial stability of the State-administered pension systems.

The effect of these amendments will be to exempt all JTPA employees in this State from membership in the PERS. This is a necessary step if we wish to keep JTPA employment at current levels.

Accordingly, I herewith return Senate Bill No. 1471 (2nd OCR) and recommend that it be amended as follows:

Page 1, Title, Line 2: Omit "supplementing" insert "amending"

Page 1, Title, Line 3: Omit "(C.43:15A-1 et seq.)"

Page 1, Section 1, Lines 1-8: Omit in its entirety and insert new Section 1 as follows:

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

7. There is hereby established the Public Employees' Retirement System of New Jersey in the Division of Pensions of the Department of the Treasury.

The membership of the retirement system shall include:

a. The members of the former "State Employees' Retirement System of New Jersey" enrolled as such as of December 30, 1954 who shall not have claimed for refund their accumulated deductions in said system as provided in this section;

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

[and]

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

3

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

d. Membership in the retirement system shall be optional for elected officials other than veterans, and for school crossing guards, who having become eligible for benefits under other pension systems are so employed on a part-time basis. Any such part-time school crossing guard who is eligible for benefits under any other pension system and who was hired as a part-time school crossing guard prior to March 4, 1976, may at any time terminate his membership in the retirement system by making an application in writing to the board of trustees of the retirement system. Upon receiving such application, the board of trustees shall terminate his enrollment in the system and direct the employer to cease accepting contributions from the member or deducting from the compensation paid to the member. State employees who become members of any other retirement system supported wholly or partly by the State as a condition of employment shall not be eligible to membership in this retirement system. Notwithstanding any other law to the contrary all other persons accepting employment in the service of the State shall be required to enroll in the retirement system as a condition of their employment, regardless of age. No person in employment, office or position, for which the annual salary or remuneration is fixed at less than \$500.00 shall be eligible to become a member of the retirement system.

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

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

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

4

"State Employees' Retirement System" and shall have such accumulated deductions credited to his individual account in the Annuity Savings Fund. Any outstanding obligations of such member shall be continued.

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

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

Page 1, Section 2, Lines 1-4: Omit "and shall apply to" on line 1, omit lines 2-3 entirely and "Retirement System prior to the effective date of this act" on line 4

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ Michael R. Cole

Chief Counsel