

CHAPTER 11

AN ACT concerning health care benefits for qualified retirees and their dependents of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, and amending P.L.1987, c.385 and P.L.1990, c.6.

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

1. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to read as follows:

C.18A:66-18.1 Payment of pension adjustment benefits; health care benefits.

2. a. Pension adjustment benefits for members and beneficiaries of the Teachers' Pension and Annuity Fund as provided by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), shall be paid by the retirement system and shall be funded as employer obligations by the same method provided by law for the funding of employer obligations for the basic retirement benefits provided by the retirement system.

b. Health care benefits for qualified retirees and their dependents as provided by section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall be funded and paid by the retirement system through a separate fund or trust of the retirement system in accordance with the requirements of the federal Internal Revenue Code. Beginning with the actuarial valuation period ending March 31, 1994, the actuary of the retirement system shall annually compute a contribution to fund these health care benefits which shall be the amount necessary to pay the anticipated premiums or periodic charges for the benefits for the following valuation period and to provide that the balance in the fund as of the end of the following valuation period shall be increased by 1/2 of 1% of the salary of the active members for the valuation period, except that contributions to increase the balance in the fund shall not be made in State fiscal years 2002 and 2003. Beginning with the actuarial valuation period ending June 30, 2002, the contribution shall be computed to provide that the balance in the fund shall be increased by 3/5 of 1% of the salary of the active members for the valuation period. Any monies in a separate fund or trust maintained by the retirement system to pay for health care benefits for qualified retirees and their dependents as provided in this section may be used in State fiscal year 2002 to pay the premiums or periodic charges for the benefits. If the assets in the fund are insufficient to pay the premiums or periodic charges for the benefits, they shall be paid directly by the State. Nothing hereinabove shall alter health care benefits for qualified retirees and their dependents or relieve the State from its acknowledged obligation to fund the benefits.

2. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to read as follows:

C.43:15A-24.1 Payment of pension adjustment benefits; health benefits.

2. a. Pension adjustment benefits for members and beneficiaries of the Public Employees' Retirement System provided by the "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.), shall be paid by the retirement system and shall be funded as employer obligations by the same method provided by law for the funding of employer obligations for the basic retirement benefits provided by the retirement system. Normal and accrued liability contributions for pension adjustment benefits for active employees of employers other than the State shall be determined for the 1992 valuation year and shall be phased in so that the level of recognition of the full normal and accrued liability contributions for the State and other employers shall be 20% for valuation year 1992 and 24% for valuation year 1993, and shall be increased by 2.24% for each valuation year thereafter until the full normal and accrued liability contributions are fully recognized.

b. Health care benefits for retired State employees and their dependents for which the State is required to pay the premiums or periodic charges under the "New Jersey State Health Benefits Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be funded and paid by the retirement system through a separate fund or trust of the retirement system in accordance with the requirements of the federal Internal Revenue Code. Beginning with the actuarial valuation period ending March 31, 1994, the actuary of the retirement system shall annually compute a contribution to fund these health care benefits which shall be the amount necessary to pay the anticipated premiums or periodic charges for the benefits for the following valuation period and to provide that the balance in the fund as of the end of the following valuation period shall be

increased by 1/2 of 1% of the salary of the active members for the valuation period, except that contributions to increase the balance in the fund shall not be made in State fiscal years 2002 and 2003. Beginning with the actuarial valuation period ending June 30, 2002, the contribution shall be computed to provide that the balance in the fund shall be increased by 3/5 of 1% of the salary of the active members for the valuation period. Any monies in a separate fund or trust maintained by the retirement system to pay for health care benefits for qualified retirees and their dependents as provided in this section may be used in State fiscal year 2002 to pay the premiums or periodic charges for the benefits. If the assets in the fund are insufficient to pay the premiums or periodic charges for the benefits, they shall be paid directly by the State. Nothing hereinabove shall alter health care benefits for qualified retirees and their dependents or relieve the State from its acknowledged obligation to fund the benefits.

3. This act shall take effect immediately.

Approved March 26, 2002.