

SENATE, No. 3311

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED JUNE 12, 2017

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Modifies incentive program offered by municipality in need of stabilization and recovery.

CURRENT VERSION OF TEXT

As introduced.



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1 AN ACT modifying an incentive program offered by a municipality
2 in need of stabilization and recovery and amending
3 P.L.2016, c.4.

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

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8 1. Section 13 of P.L.2016, c.4 (C.52:27BBBB-11) is amended
9 to read as follows:

10 13. a. In order to achieve financial stability, a municipality in
11 need of stabilization and recovery, as determined by the
12 commissioner pursuant to subsection a. of section 4 of P.L.2016, c.4
13 (C.52:27BBBB-4), may offer and implement an incentive program
14 for retirement or termination of employment after approval of such
15 incentive program by the director. The program shall be limited to
16 full-time employees in any department, office, section, or other
17 organizational component of the municipality in need of
18 stabilization and recovery to achieve financial stability. The
19 incentive program may include one or more of the following:

20 (1) cash payments or the purchase of annuities;

21 (2) employer contributions to an approved employee deferred
22 compensation program to the extent permitted by federal law;

23 (3) payment by the municipality for continuation of health
24 benefits coverage after retirement for not more than five years or
25 until the employee attains the age of eligibility for Medicare,
26 whichever occurs first;

27 (4) payment by the municipality for health benefits coverage
28 after retirement under the "New Jersey State Health Benefits
29 Program Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), or under
30 group insurance contracts pursuant to N.J.S.40A:10-23, for
31 employees and dependents in accordance with the law and rules
32 governing the State Health Benefits Program or the law governing
33 such group insurance contracts, as the case may be, for employees
34 who fail to meet the service requirement for payment for such
35 coverage after retirement by no more than five years, but who are
36 otherwise eligible for employer payment for health benefits
37 coverage after retirement; or

38 (5) additional service credit for employees who are members of
39 the Public Employees' Retirement System of New Jersey, pursuant
40 to P.L.1954, c.84 (C.43:15A-1 et seq.) or the Police and Firemen's
41 Retirement System of New Jersey, pursuant to P.L.1944, c.255
42 (C.43:16A-1 et seq.), or a municipal retirement system created
43 under P.L.1954, c.218 (C.43:13-22.3 et seq.) or P.L.1964, c.275
44 (C.43:13-22.50 et seq.), as provided in this section.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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1 b. No later than six months prior to the date on which a
2 proposed incentive program is to begin, the municipality shall
3 submit detailed information concerning the incentive program to the
4 director, in a form and manner prescribed by the director, which
5 shall include the following:

6 (1) the governmental services affected by the plan adopted by
7 the municipality pursuant to subsection b. of section 4 of P.L.2016,
8 c.4 (C.52:27BBBB-4);

9 (2) the departments, offices, sections, and other organizational
10 components of the municipality to be affected, and a list of the
11 employees thereof;

12 (3) the incentives to be offered;

13 (4) the estimated number of employees who will retire or
14 terminate employment under the incentive program;

15 (5) fiscal information sufficient to demonstrate that the
16 incentive program in conjunction with the plan adopted by the
17 municipality pursuant to subsection b. of section 4 of P.L.2016, c.4
18 (C.52:27BBBB-4) will result in a reduction for the municipality in
19 the number of employees providing the affected governmental
20 services, including information on the number of employees by
21 which the municipality will reduce employment for a period of at
22 least five years;

23 (6) fiscal information sufficient to demonstrate that, taking into
24 consideration the costs of the incentive program, the plan adopted
25 by the municipality pursuant to subsection b. of section 4 of
26 P.L.2016, c.4 (C.52:27BBBB-4) will result in a reduction in the cost
27 of providing the affected governmental services for the
28 municipality;

29 (7) information on the fiscal stability of the municipality
30 sufficient to demonstrate that the municipality will be able to pay
31 the costs for the incentive program which will result in net savings
32 and shall not necessitate any increase in property taxes for the
33 municipality;

34 (8) information sufficient to demonstrate that the municipality
35 will continue to provide the affected governmental services without
36 the number of employees that are expected to take the incentive;
37 and

38 (9) any other information which the director may require.

39 c. The director may, for good cause, permit a municipality to
40 submit information without complying with the time period for
41 submission of information or which does not conform to the
42 specific informational requirements of this section.

43 d. The director shall provide to the Director of the Division of
44 Pensions and Benefits in the Department of the Treasury sufficient
45 information relating to the incentive program so that the Director of
46 the Division of Pensions and Benefits may provide to the director:

47 (1) an estimate of the anticipated liability of the affected
48 retirement systems;

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1 (2) a determination of whether the incentive program is
2 reasonably calculated to produce a reduction in the number of
3 employees of the municipality; and

4 (3) taking into consideration the liability for the incentive
5 program, an estimate of the net savings in the employment costs to
6 provide the affected governmental services.

7 e. In order to make the calculation required by paragraph (2) of
8 subsection d. of this section, the Director of the Division of
9 Pensions and Benefits in the Department of the Treasury shall
10 submit the proposed incentive program to the actuary of each
11 retirement system which would be affected by the incentive
12 program. Each actuary shall estimate the additional liability to the
13 retirement system for the incentive program, including the liability
14 for the additional service credit and the earlier retirement of
15 employees under the incentive program. Each actuary shall provide
16 the Director of the Division of Pensions and Benefits with an
17 opinion on whether the incentive program is reasonably calculated
18 to produce a reduction in the number of employees of the
19 municipality providing the affected governmental services, and a
20 net savings, taking into consideration the liability for the incentive
21 program, in the employment costs to provide the affected
22 governmental services. The State shall conduct the actuarial work
23 required by this subsection at no charge to the municipality.

24 f. If the incentive program includes the provision of additional
25 service credit under State retirement systems for eligible
26 employees, the beginning and ending dates for the incentive
27 program and the time period during which the eligible employees
28 will have to elect to participate in the incentive program shall be
29 subject to approval by the Director of the Division of Pensions and
30 Benefits in the Department of the Treasury.

31 g. If the director determines that the incentive program will
32 result in the municipality continuing to provide the affected
33 governmental services with fewer employees and at a lower cost,
34 and that the incentive program will result in net savings and will not
35 necessitate any increase in local property taxes for the municipality,
36 the director shall approve the incentive program for
37 implementation.

38 h. For employees who are members of the Police and Firemen's
39 Retirement System of New Jersey, pursuant to P.L.1944, c.255
40 (C.43:16A-1 et seq.), an incentive program for retirement may
41 provide additional months of service credit for an employee who
42 has 20 or more years of service credit on the last day for retirement
43 under the incentive program, so that the employee shall have an
44 aggregate amount of service credit under the retirement system of
45 no more than 30 years on the effective date of retirement. In no
46 case shall more than 60 months of additional service credit be
47 provided under the incentive program.

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1 i. For employees who are members of the Public Employees'
2 Retirement System of New Jersey, pursuant to P.L.1954, c.84
3 (C.43:15A-1 et seq.), or a municipal retirement system, an incentive
4 program for retirement may provide not more than 60 additional
5 months of service credit for an employee who has 20 or more years
6 of service credit on the last day for retirement under the incentive
7 program.

8 j. An incentive program may require one or more of the
9 following criteria: a minimum number of years of service credit in a
10 retirement system, a minimum number of years of service with the
11 municipality, or a minimum age for eligibility to participate in the
12 program.

13 k. An employee who receives an incentive benefit for
14 retirement or termination of employment under this section shall
15 forfeit any tenure, civil service, or other employment right for
16 continued employment or for return to employment based upon the
17 employment for which the employee receives the incentive benefit.

18 l. When the needs of the municipality require the continuation
19 in service of an employee who elects to retire and receive an
20 incentive benefit under this section, the effective retirement date of
21 the employee may be delayed, with the approval of the governing
22 body of the municipality and the agreement of the employee, until
23 the first day of any month not later than the twelfth month after the
24 last date for retirement under the incentive program. If an
25 employee whose retirement is delayed under this subsection dies
26 before the retirement becomes effective, the retirement shall be
27 effective on the first day of the month after the date of death of the
28 employee, unless the employee's beneficiary for retirement benefits
29 requests in writing to the board of trustees of the retirement system
30 that benefits payable for death in active service be paid on behalf of
31 the employee.

32 m. An employee retiring with an incentive benefit under this
33 section who has not paid the full amount of a loan from the
34 retirement system by the effective date of retirement may repay the
35 loan through deductions from the monthly retirement benefits in the
36 same monthly amount which was deducted from the member's
37 compensation immediately preceding retirement, until the balance
38 of the amount borrowed with interest at the statutory rate is repaid.
39 If the retiree dies before the outstanding balance of the loan and
40 interest is repaid, the remaining balance shall be repaid as provided
41 in the laws governing the retirement system for repayment of loans.

42 n. Notwithstanding the provisions of the laws governing the
43 retirement system, an employee purchasing service credit to qualify
44 for a benefit under this section may, for each affected retirement
45 system, purchase a portion of the service credit which the employee
46 is eligible to purchase.

47 o. If the incentive program is approved and implemented, the
48 actuary to the affected retirement system shall determine the full

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1 amount of the liability of the retirement system for the incentive
2 program including the liability for the additional service credit and
3 the earlier retirement of employees under the incentive program in
4 accordance with the assumptions used by the retirement system to
5 determine the full liabilities of the system. The municipality shall
6 pay the amount of the liability determined by the actuary to the
7 retirement system in a lump sum or through annual installment
8 payments **【with regular interest at the rate used by the retirement**
9 **system to determine liabilities and to estimate investment return】**
10 without interest, for a period approved by the Director of the
11 Division of Pensions and Benefits in the Department of the
12 Treasury which shall not exceed **【15】 10** years. The municipality
13 shall pay the cost for the actuarial work to determine the full
14 liability of the retirement system if the incentive program is
15 approved and implemented. If the municipality does not make
16 payments for the liability, the cost of the actuarial work, and
17 administrative expenses in a timely manner, the municipality shall
18 be subject to interest and penalties on the payments on the same
19 basis provided for late payment of employer contributions to the
20 retirement system under the laws and rules governing the retirement
21 system.

22 p. The Director of the Division of Pensions and Benefits in the
23 Department of the Treasury shall provide the municipality with
24 information on the estimated liability for the proposed incentive
25 program, and actual liability if the program is approved and
26 implemented. If the program provides additional service credit to
27 employees under the Public Employees' Retirement System of New
28 Jersey, pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), or the
29 Police and Firemen's Retirement System of New Jersey, pursuant to
30 P.L.1944, c.255 (C.43:16A-1 et seq.), the director shall provide the
31 eligible employees of the municipality with information on the
32 benefits they would receive under the incentive program, and other
33 appropriate assistance, to enable employees to decide whether to
34 accept the incentive benefit and retire from the retirement systems if
35 they accept the incentive benefit.

36 q. The powers, duties, and responsibilities related to retirement
37 systems under this section for municipal retirement systems shall be
38 exercised and performed by the governing bodies of the retirement
39 systems.

40 r. Prior to the beginning date of the incentive program,
41 appropriate representatives of the governing body of the
42 municipality which implements an incentive program pursuant to
43 this section shall meet and consult with the majority representative
44 of the bargaining unit or units which include the employees of the
45 municipality who would be eligible for the incentive program.

46 s. For a period of five years after the last date for retirement or
47 termination of employment under an incentive program
48 implemented pursuant to this section, the employment level of the

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1 municipality for the provision of governmental services previously
2 performed by employees that participated in the incentive program
3 shall not, without the approval of the director, exceed the
4 employment level specified in the incentive program approved by
5 the director. The director may approve an increase in the
6 employment level to provide the affected governmental services if
7 the director determines that:

8 (1) changes in local conditions such as increased residential or
9 commercial development, increased population, or other changes,
10 have created an increased need or demand for the affected
11 governmental services; and

12 (2) an increase in the employment level for the affected
13 governmental services is warranted and will provide for the delivery
14 of governmental services in an effective and cost efficient manner.
15 The municipality shall submit annual reports to the director for five
16 years after the last date for retirement or termination of employment
17 under an incentive program implemented pursuant to this section, in
18 the form and manner required by the director, concerning the
19 number of employees and the employment costs to provide the
20 affected governmental services.

21 t. If the municipality exceeds the employment levels under
22 subsection s. of this section, it shall be required by the director to
23 reimburse the Division of Pensions and Benefits in the Department
24 of the Treasury for the costs of the actuarial work performed for the
25 municipality pursuant to subsection e. of this section, as determined
26 by the director of that division.

27 (cf: P.L.2016, c.4, s.13)

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29 2. This act shall take effect immediately.

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STATEMENT

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34 This bill amends existing law to provide that a municipality in
35 need of stabilization and recovery that offers its employees a
36 retirement incentive program will not pay interest on the amount of
37 its liability to the retirement system and to reduce from 15 years to
38 10 years the maximum allowable period over which the
39 municipality may pay the liability to the retirement system.