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NEW JERSEY PUBLIC EMPLOYEE BENEFIT MANUAL

1980 Edition



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STATE OF NEW JERSEY
DIVISION OF PENSIONS

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NEW JERSEY

PUBLIC EMPLOYEE

BENEFIT MANUAL

1980 Edition

State of New Jersey

Department of the Treasury

Division of Pensions

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PREFACE

This is the 1980 edition of the New Jersey Public Employee Benefit Manual. The material reflects the provisions of the statutes as of June 30, 1980, the regulations issued thereunder, and precedential rulings of the courts and the Attorney General. It includes a description of the programs administered by the New Jersey Division of Pensions and related plans for all public employees.

The statutes governing the several employee benefit systems are contained in New Jersey Statutes Annotated as such are cited by title and chapter.

The regulations, new or amended, are published on a current basis in the New Jersey Register by the State Division of Administrative Procedure, supplementing the New Jersey Administrative Code.

Contents of this publication are not copyrighted; any item may be reprinted, but citation of the "New Jersey Public Employee Benefit Manual" as the source is requested.

I am indebted to the supervisors and employees of the Division of Pensions who are largely responsible for its excellence; all of its deficiencies are mine.

William J. Joseph,
Director
June 30, 1980

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INTRODUCTION

1. PURPOSE AND USE OF THE MANUAL—This manual has been developed for the use of public employers and employees and for the information of consulting actuaries, accountants, and attorneys, detailing the administration of State-administered employee benefit programs by the New Jersey Division of Pensions. The operation of the Division is established along functional lines so that administrative bureaus and sections provide for the payment of benefits and the collection of monies under these various systems on a uniform and systematic basis.

While this manual outlines the benefit and contribution schedules and administrative practices of the systems administered by the Division, it is not to be considered a final and binding statement of such schedules since the complete terms of the provisions of any employee benefit program are set forth in the statute governing such plan with any amendments and supplements thereto, as such may be interpreted from time to time by the courts and the Attorney General, and as modified by the rules and regulations of the respective board, commission, or council.

1.1 PURCHASE OF COPIES OF THE MANUAL—The Division of Pensions furnishes one copy of the manual without charge to every public employer in the State. This is normally sent to the individual who has been designated by the community as the remitting agent for social security wage reports. In some communities the official designated is not the chief financial officer but rather some specific individual who has demonstrated his interest in employee benefit plans.

Additional copies of the manual, however, are requested by some entities, and these are available at an annual renewal charge. A change in officials receiving the manual sometimes results in its loss. This can be replaced only through the purchase of a recent edition by the payment of the charge. For that reason we encourage the community to designate the agent by title rather than by name, so that in the event of any change the manual will be properly received and maintained within the community by the official holding the title at any time.

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GLOSSARY

3. GLOSSARY OF TERMS—Some of the terms which appear throughout the manual are defined briefly below. Where pertinent, a more complete explanation is included in the text. For other definitions please see 148.1 and 156.1.

ACCRUED LIABILITY—The present monetary value, actuarially determined, of the estimated cost of pensions and benefits, payable to active and retired members. It covers service rendered prior to the date of an actuarial valuation and constitutes the difference between the values of future benefits and the value of prospective employee and employer contributions related to future service.

ACCUMULATED DEDUCTIONS—The total of the amounts deducted from the salaries of employees and standing to the credit of individual member accounts, and at times together with interest increments thereon, if any; may also be referred to as "accumulated contributions" or "aggregate contributions."

ACTUARIAL ASSUMPTIONS—Estimates of future experience with respect to the rates of mortality, disability, turnover, ages at retirement, rate of investment income, and salary trends. Such estimates are generally determined from past experience, modified for possible changes in conditions which may affect the future experience.

ACTUARIAL EQUIVALENT—A value or amount equal to another specified value or amount, computed on the basis of actuarial tables and rate of interest prescribed for the retirement system.

ACTUARIAL RESERVE DEFICIENCY—The excess of the accrued monetary liabilities under a retirement plan, at date of valuation, over the amount of available assets on hand to meet such liabilities, or the excess of total liabilities, both accrued and prospective, over the present and prospective assets.

ACTUARIAL RESERVE PLAN—A method of financing a pension or retirement plan wherein reserves are accumulated as the liabilities for benefit payments are incurred in order that sufficient funds will be available on the date of retirement of each member to pay his future benefits during the period of his retirement.

ACTUARIAL TABLE—A tabular listing of assumed rates of decrement such as death, disability, retirement and withdrawal from service, according to age and sex. It may consist of mathematical functions derived from the rates of probability combined with an interest discount factor.

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ACTUARIAL VALUATION—A mathematical determination of the financial condition of a retirement plan. It includes the computation of the present monetary value of benefits payable to present members, and the present monetary value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal from service, salary, and interest.

ACTUARIALLY SOUND—The favorable financial condition which results when the amounts of contributions to the retirement system are sufficient to meet currently accruing liabilities for active members and to maintain the liabilities for prior years at a stable level or in an amount according to a formal progressive plan.

ACTUARY—A professional expert in pension and life insurance matters, particularly trained in mathematical, statistical, and accounting methods and procedures, and in insurance probabilities; normally a member of a recognized professional society or association of actuaries.

ADVERSE SELECTION—The tendency of individuals who are poor health risks to seek insurance, or continue insurance, or to select options which are favorable to them and to the disadvantage of the retirement system and other members or employers.

ALTERNATE BENEFIT PROGRAMS—These are the money purchase plans which replace participation in fixed benefit systems for new faculty members of public institutions of higher education including the New Jersey College of Medicine and Dentistry, Rutgers, the State University, the New Jersey Institute of Technology, and the State and county colleges. The programs are designed to provide mobility of pension credit within and outside of the State, which is a unique requirement for college faculty personnel.

ANNUITY—A series of periodic payments for a fixed future period or for life, payable monthly, semimonthly, annually, or at other specified intervals. It is frequently used to describe a part of the retirement allowance derived from the accumulated contributions made by the member, as distinguished from that part of the retirement allowance financed by employer's contributions which is called a "pension."

ANNUITY CERTAIN—An annuity payable for a specified period of time, regardless of the time of death of the annuitant.

AVERAGE FINAL SALARY—The average rate of salary for a specific period of time generally preceding retirement to which the retirement formula is applied to determine benefits payable under a guaranteed benefit system.

AVERAGE MONTHLY WAGE—This forms the basis of computing the social security primary insurance amount. It constitutes the quotient obtained by dividing the total of wages earned after December 31, 1950, or after the last day of the year in which age 21 is attained, if later, by the number of months elapsing between that date and the first day of the

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year in which the worker retired or died. In computing the average monthly wage a worker may drop as many as 5 whole years of his lowest earnings, or years when he had no earnings. If a worker continues in employment after age 65 and does not apply for benefits, he need not count any of his earnings after the first day of the year in which he became 65 and was fully insured, unless the earnings are higher and while using them a higher average monthly wage would result. The average is limited to maximum wages subject to social security as such maximum has increased from $3,000 in 1937.

BASE SALARY—The basic rate of salary or wages upon which pension or retirement benefits will be computed or upon which employer contributions and salary deductions will be based, exclusive of employee overtime earnings or special salary, bonus, or wages paid.

BASIC BENEFITS—Under a health insurance program basic benefits are normally those provided by carriers underwriting hospitalization and medical-surgical services as distinguished from benefits provided by carriers underwriting supplemental or major medical coverages.

BENEFICIARY—A person formally designated by a member or annuitant to receive a benefit or payment upon death of the member or annuitant, or a person in receipt of benefit payments.

BENEFIT FORMULA—A formula for computing the amount of annuity, pension, or other benefit payable under a retirement plan, usually based upon salary or wages, length of service, and age.

BENEFIT PERIOD—The benefit period is a period of time used for measuring the use of hospital insurance benefits under the Federal Medicare program. It begins on the first day the beneficiary receives covered services as a patient in a hospital or a skilled nursing facility and ends after the beneficiary has been out of the hospital or skilled nursing facility for a period of 60 consecutive days. Within this benefit period, medicare pays the cost for up to 90 days in a hospital less the deductible and coinsurance amounts. In the case of a skilled nursing facility medicare pays the cost up to 100 days also subject to the deductible and coinsurance rates. Likewise, the cost of up to 100 home health visits as well as outpatient diagnostic services, are covered by the medicare program.

COINSURANCE—Under major medical coverage this term refers to the formula of reimbursement of eligible expenses in which there is a sharing of responsibilities. For example, the plan may pay 80 percent of the expenses while the employee may be called upon to pay the remaining 20 percent; in this case the "coinsurance" rate would be 80-20. The "coinsurance" rate may vary from plan to plan or may vary with respect to different services within a particular plan.

COMPULSORY RETIREMENT—A requirement for automatic retirement usually in terms of attained age; sometimes referred to as "mandatory retirement."

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CONTINGENT BENEFICIARY—A beneficiary who is to receive benefits if the primary beneficiary dies before the benefit is payable.

COORDINATION—This term usually refers to a system whereby the benefits of the retirement system and those provided by Federal Social Security are paid without any offset of the social security benefit against any part of the retirement allowance. In this sense "coordination" differs from "intergration," although contributions to both social security and the retirement system may be related or unrelated as may be provided by the plan.

CREDITABLE SERVICE—All service rendered by a member which is used in computing the amount of the benefits under the retirement plan.

CURRENTLY INSURED—This term refers principally to the qualifications for survivors' benefits under the Federal Social Security Act. This status is attained when a worker has completed at least 6 quarters of coverage during a 13-quarter period ending with the quarter in which the worker died, or the quarter in which such worker became entitled to primary insurance benefits. Simply stated, a person becomes currently insured after the person has worked about a year and one-half in a 3-year period.

DEDUCTIBLE—Under major medical coverage this term refers to the amount of eligible expenses the employee must pay before major medical benefits begin. For example, the deductible may be the first $100 of expenses incurred by an employee or a dependent during a calendar year, not counting the expenses payable as basic benefits. The "deductible" may differ from one plan to another or may differ in terms of the kind of major medical expense within a particular plan.

DEFERRED RETIREMENT—Benefits are to be received by the employee after retirement or at the normal service retirement age. The employer's contributions under such a benefit are determined actuarially on the basis of the benefits expected to be payable. This term is sometimes referred to as "vesting," although vesting is a more generic term and may apply to "immediate" as well as "deferred" availability of contributions of the employee or the employer or both. Normally refers to the termination of service months or years before a retirement benefit becomes payable.

DEINTEGRATION—This term refers to the method by which the benefits of the retirement system are separated from those provided by Federal Social Security.

DEPENDENT—As an adjective the use of this term normally pertains to the eligibility of other members of the family or survivors upon the retirement or death of the employee. Generally, minor children are considered automatically "dependent" on the basis of their relationship with the employee, whereas widows, widowers, parents, and older children may have to establish their economic dependence upon the employee in order to qualify for benefits.

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As a noun this normally refers to the spouse or child of an employee who is covered by a health benefits program in which his "dependents" may participate.

DOLLAR AVERAGING—This term usually refers to an investment program where the investment is made in equal dollar amounts in a given series of securities at specified time intervals with dividend and income being automatically reinvested. The basic element of "dollar averaging" is the regular purchase over a period of years regardless of the level of the price of the securities. "Dollar averaging" is normally associated with investments made in a diversified portfolio of securities.

EARLY RETIREMENT—Retirement at an earlier age than the specified normal service retirement age, usually upon satisfying a specific service requirement and subject to actuarial reduction to equivalent actuarial value.

EQUIVALENT ACTUARIAL VALUE—This term refers to a monetary value or benefit of equal worth to another specified monetary value or benefit, when computed in accordance with the mortality and interest tables in use by a retirement system.

EXTENDED BENEFITS—This term usually refers to the benefits provided to participants in a health insurance program which go beyond the basic benefits underwritten by the plan and permit first-dollar reimbursement for additional hospitalization and medical-surgical services.

EXTENDED CARE SERVICES—This term refers to posthospital extended care services provided under Federal Medicare. Please see the term "skilled nursing services."

FEDERAL INSURANCE CONTRIBUTIONS ACT—The intials FICA stand for Federal Insurance Contributions Act (Chapter 9, Subchapter A, of the Internal Revenue Code). This is the statute which imposes the social security taxes on employers, employees and the self-employed throughout the country for the purpose of providing funds from which to pay the Social Security Retirement, Survivors', Disability, and Health Insurance Benefit; generally referred to as "Social Security Contributions" in the case of public employee coverage.

FEDERAL OLD-AGE BENEFITS—This is the benefit amount to which a fully insured individual is entitled upon retirement at age 62 under the Federal Social Security Act. For a person first receiving benefits at age 65, it will be equal to the primary insurance amount.

FEDERAL-STATE AGREEMENT—An arrangement between the Social Security Administration of the Federal Government and a state, to effectuate social security coverage for public employees in accordance with the State social security enabling law. Such an agreement must be executed before social security coverage for any group of public employees of a political subdivision may be provided.

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FULLY INSURED—This term refers to the qualification for benefits under the Retirement, Survivors, Disability, and Health Insurance provisions of the Federal Social Security Act. A "fully insured" person is one who, at or after the attainment of retirement age or death, if earlier, fulfills either of the two alternative requirements: (a) has 40 quarters of coverage, or (b) has at least 6 quarters of coverage and at least 1 quarter in 4 quarters for every year elapsing after 1950 (or after age 21, if later) and before the year retirement age is reached or death occurs. These quarters can be earned in any year after 1936.

FUNDING—A method of financing which provides for the accumulation, by periodic contributions during a member's working years, of a reserve sufficient to meet annuity payments during the remainder of a member's lifetime after retirement.

HEALTH MAINTENANCE ORGANIZATION (HMO)—This is an entity which provides comprehensive health care services uniformly available to all enrollees directly through its own staff and its supporting resources, including medical groups and medical foundations for which a fixed payment is made, withut regard to the frequency, extent, or kind of health services actually furnished to any particular enrollee. The payment must be uniform for all enrollees. High risk may not be excluded, and HMO's must insure enrollees a substantial role in policy-making and must have equitable representation of people from under-served areas. There must be an open enrollment period of at least 30 days at least once every 12 months. Services must be available 24 hours a day, 7 days a week. The use of paramedical personnel is emphasized; the HMO must assume direct financial responsibility on a prospective basis for the comprehensive health services which are prescribed for it. An HMO may establish one or more copayments, calculated on the basis of a single community-rated premium. The statute requires that employees with 25 or more employees must provide dual choice options so that annually employees enrolled in a traditional health insurance plan will have the opportunity to transfer to an HMO or return to a traditional program.

There are different types of HMO's. The first is group practice in which the physicians are members of a closed panel, multispeciality group, are paid on either a salary or per member basis, and generally share centrally located medical facilities and ancillary personnel. A variation of this is the staff model type in which physicians are salaried employees of the HMO rather than members of a separate group. A third type of HMO, the Individual Practice Association or IPA, is one in which the participating physicians maintain their own individual office practices, and are paid on a fee-for-service basis from a common pool of revenue which is fixed for each contract year. This may also be referred to as a Medical Foundation Model in some areas.

HOME HEALTH SERVICES—This term refers to health care services provided at home under the Federal Medicare Program. Medicare has

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two parts: Hospitalization, (Part A) and Medical, (Part B). Under the plan Part A pays the cost of up to 100 visits in the 365 days following discharge from the hospital after a stay of 3 days or more, or after discharge from a skilled nursing facility. Under Part B it helps pay for up to 100 visits in each calendar year without the prior hospitalization required under Part A. The services of visiting nurses, physical therapists, and other health workers, other than doctors, who come to the home to furnish such health care services are covered. Services must be performed in accordance with a regular schedule and routine prescribed by the physician and subject to his periodic review.

INELIGIBLES—This term is used to refer to those individuals in positions covered by a retirement system who, for some personal reason such as age or physical impairment, are excluded from membership in the retirement system. Such individuals are normally eligible for social security as public employees.

INTEGRATION—A method of determining pensions in such a manner that the benefits related to compensation on which Federal Social Security benefits are based are at a lower rate in order to offset, in part or in whole, the benefits payable under social security. The total benefits under the retirement system and social security are thus made to approximate a similar percentage of compensation at all salary levels.

INTEREST—Normally pertains to the rate earned or to be earned on funds invested or to be invested to provide for future pension benefits. In calling the term "interest" it is recognized that in addition to interest on debt securities, the earnings of a pension fund may include dividends or equity securities, rentals, real estate, and realized and unrealized gains or, as offsets, losses on fund investments. "Interest" is normally considered in terms of a rate or percentage and is one of the important elements underlying actuarial assumptions as well as meeting future benefit costs.

LIABILITIES—The computed obligations, actuarially determined, under a retirement plan.

LIFE ANNUITY—A payment due periodically and payable during the lifetime of an annuitant.

MAJOR MEDICAL—This term normally refers to a supplemental program for health insurance which provides a reimbursement for eligible expenses beyond the basic benefits. The plan normally provides for a deductible as well as a coinsurance formula for all or specific services.

MAXIMUM EXCLUSION ALLOWANCE—This refers to the term used in section 403(b) of the Federal Internal Revenue Code in establishing the maximum amount by which an employee's salary may be reduced and thereby excluded from income for tax purposes under a tax-sheltered annuity. To determine whether an amount of salary reduction is within the maximum exclusion allowance, a worksheet is normally

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provided by the plan or the carrier in order for the employer and the employee to calculate such amount.

MEDICARE—Hospitalization (Part A) and Medical-Surgical (Part B) coverage provided under the Federal Social Security Act for persons age 65 or more and to those disabled persons who have been entitled to social security disability for 24 consecutive months. In addition a person requiring a kidney transplant or hemodialysis due to a chronic kidney disease may become entitled to medicare protection if he is fully or currently insured or entitled to a monthly social security benefit or is the spouse or dependent child of a person who is fully or currently insured or entitled to such benefits. This refers to the title of the Federal Social Security Act which established a Federal program of hospital and medical coverage for eligible Americans.

MODIFICATION—This denotes an amendment to the Federal-State Agreement relative to social security coverage for public employees, which agreement was entered into between the State and the Social Security Administration pursuant to authority granted under the State social security enabling law. Whenever an additional governmental unit is established, a modification to the Federal-State Agreement must be made to effectuate coverage for these employees. Such modification is proposed by the State Agency administering the social security enabling law and must be approved by the Social Security Administration.

NORMAL CONTRIBUTION—The periodic contribution required to be paid into a retirement system, from date of entry into service or membership to the date of retirement, in order to fully fund the prescribed retirement benefit. The normal contribution can be based upon the date of entry into service or the date of entry into membership depending on the method of funding adopted.

OFFSET—A reduction in the amount of retirement allowance by the amount of social security benefits.

OLD AGE AND SURVIVORS' DISABILITY INSURANCE—This refers to a program of retirement disability and survivors' benefits under Title II of the Federal Social Security Act. The program is now known as Retirement, Survivors', Disability, and Health Insurance. The abbreviation for this term is RSDHI.

OPTIONS—A privilege extended to a member in a retirement plan to elect a reduced retirement annuity with the payment of an annuity to a designated beneficiary or beneficiaries from the remainder of his equity, or to receive a certain benefit in lieu of another, as may be provided by the retirement plan.

OUTPATIENT HOSPITAL DIAGNOSTIC SERVICES—This term refers to diagnostic services performed as an outpatient at a hospital under the Federal Medicare Program.

PARTICIPANT—This term refers to individuals who as members of State-administered retirement systems are permitted to participate in

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the Supplemental Variable Annuity System by making additional contributions from salary or through a salary reduction agreement pursuant to the purchase of a tax-sheltered annuity in order to derive an annuity supplemental to the fixed benefits of the State retirement plan.

PAY-AS-YOU-GO—A method of recognizing pension costs only when benefits are paid to retired employees. This presumes that there is no actual funding of the liabilities as such liabilities are incurred but rather deferring the payment until the benefit is awarded and is to be paid. This is to be contrasted with any partial or full funding of such liabilities so that the wherewithal to provide the benefit is available at the time the member retires.

PENSION—A series of payments during the lifetime of a pensioner, made monthly, semiannually, annually, or at other specified intervals. The term is frequently used to denote that part of the retirement allowance which is financed by the employer's contributions.

PRESENT VALUE—The amount of funds presently required to provide a benefit at some future date.

PRIMARY INSURANCE AMOUNT—The old age or retirement benefit payable under the Retirement, Survivors', Disability, and Health Insurance provisions of the Federal Social Security Act to a worker upon retirement having a "fully insured" status at age 65 or more. Retirement benefits can be taken as early as age 62, but the "primary insurance amount" would be reduced. It is also the amount payable to an individual who becomes entitled to social security disability benefits. The wife's insurance benefits, child's benefits, all survivors' benefits, and the lump sum death benefit are proportionate to the primary insurance amount.

PRIOR SERVICE—The period of creditable service rendered by a member prior to the effective date of the retirement plan, normally financed completely by employer contributions over a specific period.

PRIOR SERVICE LIABILITY—The present value on the date of a valuation, actuarially computed, of the benefits which are payable on account of service rendered before the effective date of a retirement plan, normally financed completely by employer contributions over a specific period.

QUARTER OF COVERAGE—This term pertains to the Retirement, Survivors', Disability, and Health Insurance provisions of the Federal Social Security Act. Prior to January 1978, an individual earned a quarter of coverage for each calendar quarter (the 3-month period beginning January 1, April 1, July 1 or October 1) in which he was paid salary or wages of at least $50. Beginning January 1978, an individual earns one quarter of coverage (up to a maximum of 4) for each $250 of earnings in a calendar year. For years after 1978, the amount required for a quarter of coverage will be updated as average earnings rise. Insured status under Federal Social Security depends on the length of service

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measured by quarters of coverage. Such quarters may have been earned at any time since 1937.

REFERENDUM—The submission of a plan of coverage under social security to members of a public employees' pension fund for their approval or rejection. A majority of the members of a retirement system must approve a plan if coverage is to be effective. Pensioners are not eligible to participate in such referendum.

REFUND OF CONTRIBUTIONS—A refund of contributions payable to a member upon separation from service, or to his beneficiary upon his death, sometimes referred to as a "return of contributions."

RETIRANT—A retired member who is receiving a pension or retirement allowance.

RETIREMENT ALLOWANCE—A payment due periodically during the lifetime of a person who has retired from service, or for a fixed period of years, normally totalling the annuity and pension elements of the award.

SALARY-REDUCTION AGREEMENT—This term refers to a tax-sheltered annuity which can be purchased by eligible employers for eligible public employees through the Supplemental Variable Annuity System by means of the employee agreeing to take a reduction in salary with respect to amounts earned after the effective date of the agreement in return for the employer's agreement to send a corresponding amount to the Supplemental System in order to obtain the benefits afforded under Section 403 (b) of the Federal Internal Revenue Code.

SERVICE RETIREMENT—The termination of employment after completion of a specified minimum period of service, or attainment of a specified age.

SKILLED NURSING SERVICES—This term refers to posthospital extended care services provided under Federal Medicare performed by a skilled nursing home or part of a hospital which qualifies as a skilled nursing facility. These services are covered if: (a) the medical condition requires continuing skilled nursing care, (b) the attending physician recommends the extended care services and prescribes such services, and (c) the extended care treatment follows a hospital stay of at least three continuous days, admission occuring within 14 days of leaving the hospital (or an additional 14 days when admission is not possible for various reasons), and the treatment is an extension of that treatment which was being received in the hospital.

SPECIAL RETIREMENT—Retirement at an earlier age than the specified normal service retirement age, usually upon satisfying a specific service requirement. It differs from early retirement in that the benefit is not subject to actuarial reduction.

SUPPLEMENTAL ANNUITY—This term commonly pertains to an additional annuity purchased by members of the State-administered retirement systems through the Supplemental Variable Annuity System.

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However, in some systems individual contributions were calculated to be in excess of what was due from the member as his part of the cost of a guaranteed benefit and in some cases such excess contributions were left on deposit with the pension plan in order to provide for a Supplemental Annuity over and above the fixed benefits of the retirement program.

SUPPLEMENTAL BENEFITS—These are normally designated as those benefits provided by HMO's beyond those which are required to be rendered under terms of the statutes. These can include services in intermediate and long-term care facilities, mental health services not provided for under the basic plan, long-term physical and rehabilitative services including physical therapy, etc. In the State Health Benefits Program the term is used to designate those services which are normally eligible for reimbursement under the major medical coverage in the traditional plan and which may not be covered in the basic plan offered by the HMO.

TAX-SHELTERED ANNUITY—Under provisions of Section 403(b) of the Federal Internal Revenue Code, certain employers may agree to purchase an annuity, normally by means of a salary-reduction agreement with eligible employees, which is not part of a qualified pension plan and the employee's rights are not forfeitable, so that the contributions made by the employer up to the amount of the employee's exclusion allowance are not income to the employee. Such annuity is therefore sheltered from tax until it is received by the employee at retirement.

TOTAL DISABILITY (OR TOTAL AND PERMANENT DISABILITY) —Disability as a result of injury or disease which will prevent a person from performing any duties of any occupation for an indefinite period of time. A physical or mental condition which presumably permanently incapacitates the member.

VARIABLE ANNUITY—In contrast to the fixed benefits provided by State-administered retirement programs a variable annuity is one which is derived in whole or in part from amounts invested in common stocks or other equity investments which vary in amount equal to the market value of these investments, the income, and the mortality experience of the plan. The annuitant participates in the changes of the value of such holdings in common stock or real estate and the profits or losses from its use. Like all annuities a variable annuity involves the systematic liquidation of a principal amount and earnings thereon over the period of the payment with an actuarial application of mortality tables. Such variable annuity is provided by the Supplemental Variable Annuity System.

VESTING—This may be either "functional vesting" or "legal vesting." Functional vesting refers to a provision in a retirement plan whereby rights of the members in the prescribed retirement benefit become effective after a specified period of service notwithstanding that separation from service occured prior to the prescribed age for retirement.

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These rights become available to the members in the form of a deferred annuity payable upon attainment of the specified age of retirement. Legal vesting constitutes an undeniable guaranteed legal right to the earned and accrued pension expectancies of a member provided from both member and employer contributions under a retirement system.

WITHDRAWAL—Severance of employment prior to the date of attaining eligibility for benefits, or the termination of membership and withdrawal of contributions from the retirement system.

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OFFICERS

4. OFFICERS, MAILING ADDRESSES, AND TELEPHONE NUMBERS—Given below is a list of officers of the Division of Pensions showing their correct mailing addresses and their telephone numbers. The general information telephone number is (Area Code 609) 292-3463. Any officer may be contacted directly by dialing the number shown to the right of his name and title. This number must be preceded by the Area Code number 609 on any calls which are placed from a New Jersey number which is located in Area Code 201.

The Division is located at 20 West Front Street in Trenton. The mailing address is:

New Jersey Division of Pensions
P.O. Box 2058
Trenton, New Jersey 08625

4.1 OFFICE OF THE DIRECTOR—

William J. Joseph	*Director*	292-3676
Kenneth F. Cook	*Deputy Director*	984-4284
A. Steven LaBrutte	*Executive Assistant*	984-4278
Elmer G. Baggaley	*Administrative Coordinator*	292-3646
Peter J. Gorman	*Supervising Research Analyst.*	292-0132
—	*Supervisor, Internal Audit*	—

Mr. Joseph is also the Secretary of the Supplemental Annuity Collective Trust, the Health Benefits Commission, and the Judicial Retirement System.

4.2 STAFF OFFICERS—

John E. Chopan	*Chief Accountant*	292-3504
John P. Olender	*Chief, Secretarial Services*	292-3383
—	*Chief, Data Processing Services*	292-3654
John Prunetti	*Chief, Administrative Services*	292-3603

4.3 ADMINISTRATIVE BUREAUS—

4.31 OFFICE OF CREDIT SERVICE—

Joseph J. Haas	*Assistant Director*	292-3640
Enrollment and Purchase Bureau:		
	William R. Murphy, *Chief*	292-3694
	Frank T. Balcavage, *Assistant Chief*	984-4805
(Enrollments and Transfers)	Helen Rura	292-3644
(Beneficiary Designations)	Dolores Skwara	292-6762

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(Alternate Benefits)	Catherine Schwartz	292-7174
(Purchases)	Wallace Olson	292-3660
Police and Firemen's Pension Funds Bureau:		
	Anthony F. Ferrazza, *Chief*	292-3646
(Prison Officers)	Robert C. Parsons, *Assistant Chief*	292-3646

Mr. Ferrazza serves as Secretary of the Police and Firemen's Retirement System, the State Police Retirement System, and the Consolidated Police and Firemen's Pension Fund. Mr. Parsons serves as Secretary of the Prison Officers' Pension Fund.

Bureau of Secretarial Services:		
	John P. Olender, *Chief*	292-3383
	Mary C. Conrey, *Assistant Chief*	292-7870

Mr. Olender serves as Secretary of the Public Employees' Retirement System and Miss Conrey serves as Secretary of the Teachers' Pension and Annuity Fund.

Bureau of Administrative Services:		
(Personnel and Supplies)	—	292-3603
(Records Section)	Charlotte Burke	292-3622

4.32 OFFICE OF CONTRIBUTION SERVICES—

Ogden E. Glenn	*Assistant Director*	292-3673
Contributions Accounting Bureau:		
	Donald Mahoney, *Chief*	292-3630
(Receipts and Disbursements)	Philomena Severino	292-3663
(Quarterly Audit, Biweekly Audit)	Robert Morley	292-3630
(Social Security Audit)	Joseph Jablonski	292-3452
Bureau of Chief Accountant:		
(Adjustments)	Joseph Andrews	292-3606
(Bookkeeping)	Charles Armenti	984-1684
(Supplemental Variable Annuity System)	Robert Ebert	292-3605
(Judicial Retirement System)	Aline Orpen	292-3505
(Pension Adjustment Section, Central Pension Fund)	Arthur DiLarso	984-4286
Data Processing:		
(Data Input/Output Control)	Cynthia Syers	292-8289

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4.33 OFFICE OF CLAIMS SERVICES—

Edmond P. Mattei	*Assistant Director*	292-3667
Bureau of Retirement and Claims:		
	Sara Septak, *Chief*	292-3684
	Bettie Roach, *Assistant Chief*	292-3671
(Disability Review)	Robert Herrmann	292-3624
(Retirements)	Janice Nelson	292-3651
(Loans)	Mara Dunn	292-3617
(Death Benefits)	Peter Tschaikowsky	984-4800
(Withdrawals)	Mary Goliszewski	292-3632
Bureau of Health Benefits:		
	Gaius B. Mount, *Chief*	292-3734
	Elio J. Filipponi, *Assistant Chief*	292-3735
(Claims and Benefits)	Olga Hornyak	292-3938
(State Prescription Drugs)	—	292-3734
(State Dental)	Herbert Nicklaus	984-1683
Office of Field and Counseling:		
	Richard F. McQuillan	292-3612

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ADMINISTRATION

5. ESTABLISHMENT OF THE DIVISION—The Division of Pensions is the successor to the former Bureau of Public Employees' Pensions which was created in June 1952. To this bureau were assigned all administrative functions of the State retirement systems. Prior to this date these retirement systems had been administered independently, having been located within one central area only since 1951.

Under the general reorganization acts of 1948 the pension funds were originally located within the State Division of Budget and Accounting. Later they were transferred to the Division of Investment under the 1950 statute creating that division. The Bureau of Public Employees' Pensions was, therefore, located within the Division of Investment.

In 1954 as a result of the enactment of Chapter 84, P.L. 1954, an expansion in staff was required in the State Employees' Retirement System. Separate offices were found for this agency which remained apart from the other pension fund staffs until September 1956.

In July 1955 the Division of Pensions was created by Chapter 70, P.L. 1955. To this division were assigned all administrative functions of the State pension funds, except for investment records and proceedings retained by the Division of Investment.

In September 1956 there was a consolidation of the staff at the initial quarters of the Division in Trenton. With this move it was possible to reorganize the staff and procedures along functional lines.

In addition to State pension plans the Division of Pensions has been responsible for the operation of the State Agency for Social Security since its inception in 1951, the Pension Adjustment Program beginning in 1958, the Supplemental Variable Annuity System first established in 1963, the State Health Benefits Program with its extension to include local government employers for the first time in 1964 and Health Maintenance Organizations in 1976, the State Police Retirement System as established in 1965, and the Alternate Benefit Programs of public institutions of higher education including the New Jersey College of Medicine and Dentistry in 1965, Rutgers, the State University in 1967, the New Jersey Institute of Technology, and the State and county colleges in 1968, the Judicial Retirement System in 1973, the State Employee Prescription Drug Plan in 1976, the State Employee Dental Expense Plan in 1978, Unemployment Compensation for State Employees in 1979, and Temporary Disability Insurance for State Employees in 1980.

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5.1 SCOPE OF OPERATIONS—The Division administers the laws governing the employee benefit plans, subject to rules, regulations, and decisions of the respective boards of trustees and commissions of these systems, as such may be altered from time to time by legislation, court decisions, and opinions of the Attorney General.

5.2 PUBLIC EMPLOYEES' RETIREMENT SYSTEM—The system was established by Chapter 84, P.L. 1954, on January 2, 1955, after the repeal of the laws creating the former State Employees' Retirement System. The retirement benefits of this system are coordinated with social security. This system is maintained on an actuarial reserve basis. Under terms of Chapter 71, P.L. 1966, all public employees in New Jersey who are not required to become members of another contributory retirement program are normally required to enroll.

The board of trustees consists of six employee representatives, two persons appointed by the Governor, and the State Treasurer.

5.3 TEACHERS' PENSION AND ANNUITY FUND—The fund was completely reorganized by Chapter 37, P.L. 1955, and the revised system of benefits was coordinated with social security effective January 1, 1956. This fund is maintained on an actuarial reserve basis.

The board of trustees consists of three employee representatives, two persons appointed by the Governor, one person appointed by the other members, and the State Treasurer.

5.4 CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND—The fund was established by Chapter 358, P.L. 1952, to place 212 local police and firemen pension funds on an actuarial basis. The members of this fund consist of policemen and firemen appointed prior to July 1, 1944. The liabilities of these local funds are now being shared: two-thirds by the participating municipalities and one-third by the State.

The commission consists of two police representatives, two firemen representatives, four persons appointed by the Governor, and the State Treasurer.

5.5 POLICE AND FIREMEN'S RETIREMENT SYSTEM—The system was established by Chapter 255, P.L. 1944. All policemen and firemen appointed after June 1944 in municipalities in which local police and firemen pension funds existed, or in which this system was adopted by referendum or resolution, are required to become members of this system. Also covered are certain State and county employees. Employer obligations are paid by the local employers and the State. This fund is maintained on an actuarial reserve basis.

The board of trustees consists of two police representatives, two firemen representatives, four persons appointed by the Governor, and the State Treasurer.

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5.6 PRISON OFFICERS' PENSION FUND—The fund was established under Chapter 220, P.L. 1941. This fund was not maintained on an actuarial reserve basis and was closed to new employees January 1960. New employees are enrolled in the Public Employees' Retirement System.

The commission consists of three employee representatives, the State Treasurer, one person appointed by the Governor, and a commissioner appointed by the other members.

5.7 STATE POLICE RETIREMENT SYSTEM—The system was created July 1965 by Chapter 89, P.L. 1965, as successor to the State Police Retirement and Benevolent Fund. All uniformed officers and troopers of the Division of State Police in the New Jersey Department of Law and Public Safety are required to be members. This system is maintained on an actuarial reserve basis.

The board consists of two active members appointed by the Superintendent of the State Police, two persons appointed by the Governor, and the State Treasurer.

5.8 CENTRAL PENSION FUND—The fund consists of the administration of a series of noncontributory pension acts. No reserves are established for the payment of these pensions. These benefits are administered by the Division of Pensions in accordance with the governing statute and the rules and regulations of the State House Commission, where applicable.

The scope of the fund extends to: (1) Health Act pensioners, in accordance with N.J.S.A. 43:5-1 to 5-4, consisting of persons employed by the State as of January 1921; (2) Veterans' Act pensioners, in accordance with N.J.S.A. 43:4-1 to 4-6; (3) Noncontributory Pensions for certain State employees in accordance with N.J.S.A. 43:5A-1 to 5A-4; (4) Annuity for Widows of Governor; and (5) Special pensioners, in accordance with various laws of the State authorizing payments to designated individuals.

5.9 JUDICIAL RETIREMENT SYSTEM—The system was established by Chapter 140, P.L. 1973, after the repeal of the laws providing pension benefits to members of the State judiciary and their eligible survivors. All members of the State judiciary are required to be members. This system is maintained on an actuarial reserve basis.

The board of trustees is the State House Commission when it acts in this special capacity, and the commission consists of the Governor, four legislative leaders, the State Treasurer, and the State Budget Director.

5.10 ALTERNATE BENEFIT PROGRAMS—In the years of 1965-68 legislation was enacted successively to permit the establishment of Alternate Benefit Programs for full-time faculty members of public institutions of higher education including the New Jersey College of Medicine and Dentistry, Rutgers, the State University, the New Jersey

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Institute of Technology, and the State and county colleges. These programs replaced the fixed benefit schedules of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System for new employees and permitted present faculty members to transfer their interests in the State systems to such alternate plans. New enrollees who are members of the Teachers' Pension and Annuity Fund are permitted to transfer to the Public Employees' Retirement System or the Alternate Benefit Programs; members of the Public Employees' Retirement System may remain in that system or transfer to the Alternate plan.

The pension portion of the Alternate plan is underwritten for fixed annuities by the Teachers' Insurance and Annuity Association, while variable annuities are provided under the College Retirement Equities Fund. These are money purchase plans as distinguished from guaranteed fixed benefits payable by State retirement systems. On the other hand, immediate vesting after the first year's participation offers the mobility of pension credit among the more than 1,200 private and public institutions of higher education in the United States and Canada. Group Life and disability insurances are likewise provided to participants in these plans.

5.11 SUPPLEMENTAL VARIABLE ANNUITY SYSTEM—The Supplemental Annuity Collective Trust of New Jersey was established under Chapter 123, P.L. 1963. This program includes active members of the several State-administered retirement systems who agree to make voluntary additional contributions through their pension funds to purchase variable retirement annuities in order to supplement the benefits provided by their basic systems or whose employers agree to purchase for certain eligible public employees tax-sheltered annuities for the same purpose.

The council consists of the Commissioner of the Department of Insurance, the State Budget Director, and the State Treasurer.

5.12 STATE HEALTH BENEFITS PROGRAM—The program was established by Chapter 49, P.L. 1961, and provided employer-paid basic hospitalization and medical-surgical benefits as well as major medical benefits for State employees. Dependent coverage could be purchased at the employee's option. Effective July 1, 1964, Chapter 125, P.L. 1964, extended the program to include employees of local government employers.

The commission consists of the Commissioner of the Department of Insurance, the President of the Department of Civil Service, and the State Treasurer.

5.13 STATE AGENCY FOR SOCIAL SECURITY—The State Agency was initially established by Chapter 253, P.L. 1951, and became effective with the execution of a Federal-State compact on social security coverage in December 1952. Pursuant to Article I of Chapter 84, P.L.

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1954, all eligible public employees in New Jersey were required to be covered by social security pursuant to the terms of the Federal-State Agreement effective January 1, 1955.

Under terms of the statute the State Treasurer is the State Agency and his responsibility is delegated to the Director of the Division of Pensions.

5.14 PENSION ADJUSTMENT PROGRAM—The program was established pursuant to Chapter 143, P.L. 1958, and it covers all eligible pensioners of the State-administered retirement systems. It was importantly altered by Chapter 169, P.L. 1969, which provided a cost of living adjustment, and by Chapter 139, P.L. 1971, which extended its provisions to eligible survivors for the first time.

5.15 STATE PRESCRIPTION DRUG PLAN—The plan was initiated by the State effective December 1, 1974, and with the enactment of Chapter 41, P.L. 1976, Prescription Drug coverage was extended to all eligible State employees. State employees and their eligible dependents are covered by the plan in the same manner as State employees and dependents are enrolled in the State Health Benefits Program established pursuant to Chapter 49, P.L. 1961. The Division became responsible for its administration in November 1976.

5.16 STATE DENTAL EXPENSE PLAN—The plan was initiated by the State effective February 1, 1978. All eligible State employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half of the cost of the plan.

5.17 STATE EMPLOYEE UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE—The Division coordinates the work related to the payment of the charges involving unemployment compensation and temporary disability insurance benefits for State employees who are eligible for coverage pursuant to Federal law and is responsible for contracting with a service agency to review all questionable claims for unemployment compensation.

6. LINE FUNCTIONS OF THE DIVISION OF PENSIONS—Every administrative agency performs on a line or staff basis. Below is a brief outline of the line functions of the Division, while beginning with 7, is a description of the staff functions within the Division.

6.1 ENROLLMENT AND PURCHASE BUREAU—The work of this Bureau is divided into four groups: Enrollment, Beneficiary Designation, and Purchase Sections, and Alternate Benefit Unit.

6.11 THE ENROLLMENT SECTION—This section requests and reviews all enrollment applications and determines eligibility of prospective members for participation in the several systems. Questionable

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applications are submitted to the appropriate board through the Office of Secretarial Services or the Police and Firemen's Pension Funds Bureau. Proper and complete applications are processed through the Records Section and Data Processing, resulting in a certification of membership following the establishment of the member's account. This section also acts on all intrafund transfers for all members of the major retirement programs, as well as interfund transfers involving transfers from one State-administered system to another. As participation in the group life insurance program is a vital part of the member's participation in the systems, this section arranges for the obtainment of proof of insurability when such is necessary.

6.12 THE BENEFICIARY DESIGNATION SECTION—This section reviews all designations of beneficiary filed by active and retired members of the several systems. All questionable designations are referred to this section by any administrative unit. Related to the proper designation of beneficiary is the issuance of riders for group insurance which are prescribed following any change of beneficiary.

6.13 THE PURCHASE SECTION—This section reviews all requests for the establishment of additional retirement credit through individual purchases of service as such requests are received from members of the several systems. Where individuals are enrolled beyond the date of their compulsory enrollment and their previous service must be purchased, it reviews and certifies the cost of such service.

6.14 THE ALTERNATE BENEFIT UNIT—This unit reviews all enrollment applications for completeness and accuracy and forwards them to Data Processing. Such processing involves a certification of payroll deductions for annuity purposes and the preparation of group insurance certificates to be forwarded to the respective colleges for the participants. In cooperation with the Bureau of Contributions Accounting and the Office of the Chief Accountant, the unit arranges for the transmittal of funds to the carriers underwriting the annuities and the group insurances. It answers all correspondence pertaining to these programs.

6.2 CONTRIBUTIONS ACCOUNTING BUREAU—The work of this bureau is divided into five sections: the Report Control Unit; the Receipts, Disbursement, and Mail Section; the Quarterly Audit Section; the Social Security Audit Section; and the Biweekly Audit Unit.

6.21 THE REPORT CONTROL UNIT—This unit maintains the control files and records for the bureau. Such records include the reports of contributions of the several systems as they are filed by the State or local employers, and the social security wage reports. The control files note the receipt and processing of such reports and delinquent notices, and the mailing of such forms.

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6.22 THE RECEIPTS, DISBURSEMENT, AND MAIL SECTION—This section is responsible for the receipt and disbursement of all monies pertaining to the several systems as well as the distribution of mail throughout the Division. It receives and arranges for the deposit of personal contributions by members for pension, loans, arrears, Supplemental Annuity, and contributory insurance payments. It advises Data Processing of additions, deletions, and corrections for the preparation of the pension payrolls. It performs as the remitting agent for the group health insurance remittance plans where eligible pensioners have authorized deductions for such coverage.

6.23 THE QUARTERLY AUDIT SECTION—This section is responsible for the audit of the Quarterly Reports received from all participating employers for pension, contributory insurance, and Supplemental Annuity purposes. It reconciles the monthly and quarterly transmittals against the Quarterly Report as altered by the employer. It reviews the reports prior to the audit performed by Data Processing and accounts for all discrepancies noted by that audit. It arranges for refunds of overpayments and bills for shortages. It conducts special audits upon inquiry from employers and employees.

6.24 THE SOCIAL SECURITY AUDIT SECTION—This section is responsible for the social security program which involves the mailing and receipt of such transmittals and reports pertaining to all public employers within the State. Such documents are reviewed following an audit by Data Processing. The original copy of the completed social security report and a tabulated list summarizing all such reports are forwarded to the Federal Government, in magnetic tape or hard copy form. Certificates of deposit for the total amount of taxes due are filed in the Federal Reserve Bank every working day.

6.25 THE BIWEEKLY AUDIT UNIT—This unit is responsible for the audit of employees paid on a biweekly basis by the State through the Centralized Payroll Unit. This includes a postaudit following the exceptions developed by Data Processing.

6.3 RETIREMENT AND CLAIMS BUREAU—The work of this bureau is divided into four sections: the Retirement, Disability Review, Claims, and Loan Sections.

6.31 THE RETIREMENT SECTION—This section reviews all retirement applications for members of the several systems, supplying individual quotations of retirement benefits and calculating and authorizing payment of benefits to those members who file formal applications. Questionable applications are submitted to the appropriate board through the Office of Secretarial Services and the Police and Firemen's Pension Funds Bureau. Disability applications are referred to the Disability Review Section for the obtainment of medical evidence as prescribed by the statutes.

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6.32 THE CLAIMS SECTION—This section requests and reviews all death claims filed by beneficiaries of members of the several systems. In the case of death it likewise prepares for a refund of contributions where such refund is authorized. On the basis of the insurance benefits it quotes lump sum and annuity payments in lieu of lump sum. This section prepares the insurance benefit drafts and the authorization for the refund of contributions to the beneficiary so that proper payment may be made by the Disbursement Section.

The Claims Section also reviews all the applications for withdrawal from the systems and calculates the refund as prescribed by the statute. It authorizes payment by the Disbursement Section. It is also responsible for obtaining proof of age on a system-wide basis.

6.33 THE LOAN SECTION—This section reviews all loan applications filed by members of the several systems. It reviews terms for repayment calculated by Data Processing and authorizes payment by the Disbursement Section.

6.34 THE DISABILITY REVIEW SECTION—This section facilitates the processing of disability retirement claims. All applications and correspondence related to disability retirement is forwarded to this single section within the Division so that all disability applications of all retirement programs are processed by the same administrative agency. It arranges for all necessary medical examinations, refers all medical reports to the medical board for evaluation, and prepares the completed claims for the Office of Secretarial Services or for the Bureau of Police and Firemen Pension Funds so that these claims can be submitted to the respective board or commission. In the event of a hearing this section arranges for the appearance of the medical specialists and other witnesses whose testimony will be germane. This section acts as liaison with the Division of Administrative Law, the agency which conducts all hearings.

6.4 POLICE AND FIREMEN'S PENSION FUNDS BUREAU—The work of this bureau is divided into four groups related to the administration of the several retirement systems established for law enforcement officers.

6.41 THE POLICE AND FIREMEN'S RETIREMENT SYSTEM UNIT—The Chief of the Bureau is the Secretary of his system who prepares the agenda and minutes of the board and is responsible for the administration of all investment transactions.

6.42 THE STATE POLICE RETIREMENT SYSTEM UNIT—This unit processes enrollment applications for members of the system and arranges for the certification of deductions for pension and other purposes as prepared by Data Processing. It also processes all retirement applications other than disability applications which are initially prepared by the Disability Review Section. It maintains the general and

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subsidiary ledgers of the system and authorizes the payment of retirement benefits to be arranged by the Disbursement Section.

The Chief of the Bureau is the Secretary of this system who prepares the agenda and minutes of the board and is responsible for the administration of all investment transactions.

6.43 THE PRISON OFFICERS' PENSION FUND UNIT—The Assistant Chief of the Bureau is the Secretary of this closed retirement program. He supervises the maintenance of individual member records and processes applications for withdrawal, retirement, or death benefits. The unit receives and deposits the deductions taken by the State Centralized Payroll Unit and makes the proper entry into the general and subsidiary ledgers. The unit authorizes payment of retirement benefits to be arranged by the Disbursement Section.

The Secretary also prepares the agenda and minutes of the commission.

6.44 THE CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND SECTION—This section is responsible for the maintenance of individual member records and processes applications for retirement and death benefits. It reviews the monthly transmittals and reports of salary deductions as forwarded by the employing agencies and makes the proper entry in the general and subsidiary ledgers. It authorizes payment of retirment benefits to be arranged by the Disbursement Section.

The Chief of the Bureau acts as Secretary of the commission of this closed pension plan, prepares the agenda and minutes of the commission, and is responsible for the administration of all investment transactions.

6.5 THE RECORDS SECTION—This section maintains all membership records and files of the several systems. This section is responsible for the microfilming of all membership records and contribution reports, which are filmed in accordance with an approved schedule of records retention.

6.6 THE HEALTH BENEFITS BUREAU—The work of this bureau is divided into three groups: the State Health Benefits Program, the State Prescription Drug Plan, and the State Dental Expense Plan.

6.61 THE STATE HEALTH BENEFITS SECTION—This section is responsible for the maintenance of the enrollment and authorization records of the State Health Benefits Program. On the basis of such records all eligible State employees and eligible employees of participating employers and their covered dependents are entitled to the benefits provided by the program, which is essentially basic hospitalization and medical-surgical coverage with extended benefits and a supplemental major medical plan. This includes alternative benefits provided by Health Maintenance Organizations within their service areas. This section reviews the monthly transmittals and reports of

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premiums paid by employer and employee and makes the proper entry into the general and subsidiary ledgers.

The Director of the Division of Pensions is the Secretary of the State Health Benefits Commission, and his office prepares the agenda and minutes of the commission.

6.62 THE STATE PRESCRIPTION DRUG PLAN UNIT—This unit reviews the enrollment and authorization records for State employees enrolled in the Prescription Drug Plan and on the basis of such review confirms that eligible employees and their dependents are entitled to the benefits provided by the plan.

Prescription Drug reports covering State employees who are enrolled in the plan are reviewed and authorizations prepared to pay premiums to the insurance carrier.

6.63 THE STATE DENTAL EXPENSE PLAN UNIT—This unit reviews the enrollment and authorization records for State employees enrolled in the Dental Expense Plan and on the basis of such review confirms that eligible employees and their dependents are entitled to benefits provided by the plan.

Dental Expense reports covering State employees who are enrolled in the plan are reviewed and authorizations prepared to pay premiums to the insurance carrier.

7. STAFF FUNCTIONS OF THE DIVISION OF PENSIONS—Below is a brief outline of the staff functions of the Division.

7.1 OFFICE OF THE CHIEF ACCOUNTANT—The work of this office is divided into six sections or units: Adjustment, Bookkeeping, Central Pension Fund, Judicial Retirement System, Supplemental Variable Annuity System, and Pension Adjustment Program.

7.11 THE ADJUSTMENT SECTION—This section authorizes revisions in the actuarial, financial, and other records of the several systems. These are usually caused by corrections and changes in basic data or conditions.

7.12 THE BOOKKEEPING SECTION—This section is responsible for maintaining the general and subsidiary ledgers of the several systems. It prepares the bills and is responsible for collecting the State and other employer contributions as established by the respective actuaries.

7.13 THE CENTRAL PENSION FUND UNIT—This unit is responsible for the processing of applications for retirement or death benefits for individuals eligible for benefits provided by the fund. This unit authorizes payment of retirement benefits to be arranged by the Disbursement Section.

7.14 THE JUDICIAL RETIREMENT SYSTEM UNIT—This unit processes enrollment applications for members of the system. It also

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processes all retirement applications. It maintains the general and subsidiary ledgers of the system and authorizes the payment of benefits to be arranged by the Disbursement Section. It is responsible for the administration of all investment transactions.

The Director of the Division of Pensions is the Secretary of the State House Commission which acts as the board of trustees of this system, and his office prepares the agenda and minutes of the board.

7.15 THE SUPPLEMENTAL VARIABLE ANNUITY SYSTEM UNIT—This section processes enrollment applications for members of State-administered retirement systems who elect to participate in the Supplemental Annuity Program by payroll deductions or by the purchase of tax-sheltered annuities. It also processes all withdrawal and retirement applications for such participants. It maintains the general and subsidiary ledgers of the system and authorizes the payment of benefits to be arranged by the Disbursement Section. It is responsible for the administration of all investment transactions.

The Director of the Division of Pensions is the Secretary of the Council of the Supplemental Annuity Collective Trust, and his office prepares the agenda and minutes of the council.

7.16 THE PENSION ADJUSTMENT PROGRAM UNIT—This unit is responsible for the authorization of payments to the several systems whose members are entitled to adjustments under the Pension Adjustment Act. On the basis of such transfer of funds, the adjustments are included in the checks disbursed to eligible pensioners of the several systems.

7.2 OFFICE OF DATA PROCESSING—The work of this office is divided into two sections: the Data Entry and the Input/Output Control Sections.

7.21 THE DATA ENTRY SECTION—This section supplies input data on magnetic tape to Data Processing. All data are edited and verified.

7.22 THE INPUT/OUTPUT CONTROL SECTION—This section is responsible for controlling data which are posted in summary in the General Ledger and in detail to the accounts maintained by Data Processing for all employee benefit programs.

7.3 BUREAU OF ADMINISTRATIVE SERVICES—The work of this office is divided into two units: the first is the Personnel and Reception Unit and the second is the Purchasing and Supply Unit. The Chief of Administrative Services is also directly responsible for the work of the Records Section.

7.31 THE PERSONNEL AND RECEPTION UNIT—This unit maintains the records of the Division's personnel and provides reception services, for telephone inquiries as well as personal interviews for visitors to the Division's offices in Trenton.

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7.32 THE PURCHASING AND SUPPLY UNIT—This unit is responsible for arranging for the purchase of all equipment and supplies employed by Division personnel and maintains an inventory of such supplies so that the needs of the Division can be fully met within its administrative appropriation.

7.4 OFFICE OF FIELD AND COUNSELING SERVICES—The work of this office is divided into two sections: Field and Counseling Sections.

7.41 THE FIELD SECTION—This section directs the activities of the field representatives of the Division in contacting employers and employees with respect to benefits and the reports of contributions paid by both employees and employers. This section is responsible for estimating the cost of prior service in those systems where the employer can assume such cost.

7.42 THE COUNSELING SECTION—This section counsels individuals in the Division's office in Trenton or at other stipulated locations throughout the State. It reviews all correspondence from retired members with respect to such matters as income tax, health insurance, and employment subsequent to retirement.

7.5 BUREAU OF SECRETARIAL SERVICES—The work of this office is divided into two units related to the work of the Secretaries of the Public Employee's Retirement System and the Teachers' Pension and Annuity Fund.

7.51 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNIT—The Chief of the Office is the Secretary of this system and prepares the agenda and minutes of the board. This unit is responsible for the administration of all investment transactions.

7.52 THE TEACHERS' PENSION AND ANNUITY FUND UNIT—The Assistant Chief of the Office is the Secretary of this fund and prepares the agenda and minutes of the board. This unit is responsible for the administration of all investment transactions.

8. OFFICE OF THE DIRECTOR—The Director is charged with the responsibility of overseeing the administrative operations of all employee benefit programs administered by the State. As the Division is one of several divisions in the State Treasury Department, the Director's immediate superior is the State Treasurer. The Treasurer is also ex-officio a member of all State pension boards or commissions. He is represented by the Administrative Coordinator.

The Director is responsible for the development of administrative policy, the establishment of new systems and programs, and coordinating the functions of all State plans. He is responsible for the preparation of the administrative and corpus budgets and acts as a liaison between the benefit programs administered by the Division and

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other levels and branches of government. The Director has several assistants who aid him in his work, such as the Deputy Director, the Executive Assistant, the Administrative Coordinator, the Supervising Internal Auditor, and the Supervising Research Analyst.

8.1 **DEPUTY DIRECTOR**—The Deputy Director is responsible for the actual operations of the Division as performed by the several administrative bureaus and sections, whether such be performed on a line or staff basis.

8.2 **EXECUTIVE ASSISTANT**—This officer is specifically responsible for assisting the Director and the Deputy Director in the development of new systems and programs and the preparation of continuing studies of new procedures, methods, and equipment in order to secure the greatest efficiency and economy. He is also specifically responsible for the preparation of the modifications to the Federal-State Agreement as well as any certifications on transmittals related to any referenda which may be authorized by members of a public retirement program which is yet to be coordinated with Federal Social Security.

8.21 **ADMINISTRATIVE COORDINATOR**—This officer assists the Director and the Deputy Director in the liaison between the Treasury Department, the Division, and the pension boards and commissions. He serves as the Treasurer's representative on all boards and commissions thereby facilitating the coordination of activities where they are identical or similar among the different systems.

8.22 **SUPERVISING RESEARCH ANALYST**—This officer assists the Director and the Deputy Director. He is specifically responsible for the research pertaining to legislation and the preparation of policy and financial statements relative to the comments which the Division is required to make concerning all legislation affecting employee benefit programs. He is also specifically responsible for the maintenance of all regulations as such may be promulgated by the respective systems.

8.23 **SUPERVISING INTERNAL AUDITOR**—This officer reports directly to the Director and is responsible for the audit of specific areas and for the performance of special projects as assigned. For support purposes the Internal Audit Unit is located in the office of the Chief Accountant.

8.3 **THE BOARD OF TRUSTEES OR PENSION COMMISSION**—The board of trustees or pension commission has the general responsibility for the proper operation of the respective retirement system. Legislation cannot possibly make provision for all of the complications which arise in the administration of a retirement program so that a board or commission is delegated a certain amount of discretion in the solution of the problems confronting the system. Consequently, the duties of the board or commission are partly ministerial and partly based on its

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authority to adjudicate claims. On the ministerial side, the board adopts rules and regulations to provide for the payment of benefits and for the collection of monies as required by the statute. On the quasi-judicial side the commission must resolve individual questions on the merits of each case in terms of the statutes, and opinions of the Attorney General, the advice of the Actuary, and cases cited by counsel as deliberated by the courts.

The board has its agents who aid in its work, such as the Secretary, an officer in the Office of Secretarial Services or in the Bureau of Police and Fire Pension Funds, and the Actuary as appointed by the State Treasurer.

The board establishes rules and regulations subject to the limitations contained in the statute and in accordance with the opinions of the courts and the Attorney General. Such rules are primarily designed to prevent injustices and inequities which might otherwise arise in the operation of the program. Such rules are filed with the Division of Administrative Procedures and must be consistent with those adopted by the other boards in order to permit the most economical and uniform administration of all systems.

Where issues of fact or of law are involved in individual cases, the board may grant hearings to members who disagree with its decisions, and such appeals are heard by the judges of the Division of Administrative Law. The board will receive the judges's decision along with exceptions of counsel and render a formal determination following such hearings The member then can appeal any affirmation of the board's original determination to a court of appropriate jurisdiction.

Annual reports will be prepared setting forth such data as assets and liabilities, income and disbursements, and a statistical summarization of the membership. Such reports are filed with the State Library.

The board maintains a record of all of its proceedings and holds regular meetings and special meetings where such are deemed necessary.

8.4 **ACTUARIAL ADVISOR**—The Actuary serves as the technical advisor to the board or commission, establishes the several tables required for the operation of the system, determines the annual appropriation required of the employers, and conducts annual and other periodic examinations of the system's financial and actuarial position.

8.5 **LEGAL ADVISOR**—The Attorney General is the legal advisor for all of the pension funds and other employee benefit programs.

8.6 **MEDICAL ADVISORS**—All pension funds are served by a medical board composed of three physicians who review all claims for disability as submitted by the Disability Review Section to determine the medical speciality and who in turn review the reports of the medical examiners and make their recommendations on the medical aspects of every claim to the board.

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Within terms of the respective statute a member filing a claim for disability will submit a statement of his personal physician or the official physician of the public employer. Following the initial review by the medical board an examiner will be selected on behalf of the retirement system. The reports of the member's doctor and that of the medical examiner for the plan are again reviewed by the medical board, and normally, if the board recommends yet another examination, the board or commission will request such additional examination. The reports of all the physicians and the recommendations of the medical board are then assembled by the Disability Review Section, which has arranged for these examinations, and the case is then forwarded to the secretary of the board of trustees for presentation at the next meeting.

8.7 RELATED STATE AGENCIES—The Division of Pensions has many specific and direct relationships with several other State agencies. All corpus and administrative budgets are reviewed by the State Treasurer and, in turn, submitted to the Division of Budget and Accounting for consideration in the preparation of the State's budget for the following fiscal year. All personnel actions denoting resignations and leaves, with or without pay, are forwarded by the Civil Service Department and filed in the records of the members of the retirement system whose positions are covered by the merit system. The State auditors review the receipt and disbursement of public funds within the terms of the applicable statute. Examiners from the Department of Insurance review all of the proceedings of the retirement programs and report on their findings periodically for the advice of the respective board, the Director, and the Actuary. Special arrangements for reimbursement to the State of pension costs pertaining to the several systems likewise involve the State Departments of Defense, Education, and Labor.

The most important and direct relationship, maintained on a daily basis, is with the Division of Investment of the State Department of the Treasury since all investment transactions on behalf of the several programs are recommended and transacted by this public agency.

A continuing relationship exists with the Division of Administrative Law as all hearings on appeals of members of the respective employee benefit programs are heard by judges in this State division.

9. ADMINISTRATION PROCEDURE—Below is a summary statement of the essential procedures followed by the Division of Pensions.

9.1 ENROLLMENT—An application for membership in any of the pension systems administered by the Division consists of two sections. The first section is completed by the employee and contains such information as date of birth, military service, former membership in a State-administered retirement system, beneficiary designation, etc. The second section is completed by the employing agency and requests

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employment and payroll information. The completed application is sent to the Enrollment Section of the Enrollment and Purchase Bureau.

The Enrollment Section reviews the application to determine the employee's eligibility for membership in the retirement system and for insurance coverage. The section assigns a membership number to the completed application and forwards it to the Data Processing Input/Output Control Section (DP I/O Control Section).

Applications are processed in control groups which record the membership numbers of the individual members as well as the number of applications in the group. When a group of enrollment applications is received in the DP I/O Control Section, the Data Entry Section is responsible for translating the information on the enrollment application into machine-readable code so that this information can be processed by the computer. For each new member Data Processing creates:

a. A Member's Account Record—This combines the actuarial and accounting data of the member into a master record. This record contains all current account balances, service credit, date of birth and enrollment, prior service credit, current employer, salary and contribution status, and the projection data required to place the member on the report of contributions.

b. Member's Master Record—Each time the accounting cycle is completed and the member's master record has been updated by contributions and changes, the resulting balances in the account are recorded on magnetic computer tape and microfiche.

After the member's records have been established, Data Processing, using these records, prepares the following:

a. Certification of Deductions—This form is prepared in three copies. The original and a copy are forwarded to the employer so that one may be given to the member; the third copy is filed in the member's permanent file in the Division. The purpose of the form is to certify to the payroll clerk the deductions required of the member by the system.

b. Insurance Certificate—The insurance certificate is the member's record of his participation in the insurance program. It records the beneficiary designated by the member as well as the effective date of insurance and the type of coverage which is in effect.

c. 3 x 5 Alpha Index Card—This card is used by the Records Section to reference the member's name and retirement system membership number.

d. Data Sheet—This form is a record of the enrollment of the employee in the system. It is kept in the member's permanent file and used to record information germane to the membership.

e. Enrollment Register—This register records the membership number, enrollment date, employer, social security number, if applicable, and the member's name in a permanent register.

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When the member's record has been established and the forms required by his enrollment have been printed, the enrollment application is sent to the Records Section and becomes the basic document in the member's permanent file.

9.2 TRANFERS—The agency employing a person who is currently a member of a retirement system in a position covered by that system must complete and file a transfer form with the Division. The transfer form identifies the member, records the date of employment, salary and method of payment (10 or 12 months). The form is sent to the Enrollment and Purchase Bureau where it is reviewed to verify the employee's membership status and his eligibility to continue in the system. The form is then sent to the DP I/O Control Section and to Data Processing where a Certification of Payroll Deductions is prepared reflecting the required contributions in the member's new employment. Data Processing adjusts the member's record to reflect his new employment and sends the transfer form to the Records Section to be filed in the member's permanent file.

9.3 REPORTING AND RECORDING—Pension contributions which have been deducted from the member's salary are remitted monthly to the Division. A transmittal form is used to identify the type of payment being made and the employer from which the payment is received.

On the tenth day of the last month of the calendar quarter the Division sends to each employer his transmittal form and Quarterly Report of Contributions. This report shows the name and membership number of each retirement system member. The report also shows a projected base salary, the calculation of the pension deduction, the loan, arrears or back deduction payments that are due, the payment for group life insurance, if applicable, and any contributions made for either of the Supplemental Annuity programs.

The employer adjusts the report to show the current base salary if a change has occurred and the payroll deductions made during the quarter covered by the report. The report and the transmittal form, accompanied by the balance of the pension deductions made by the employer, are sent to the Division.

The monthly and the quarterly transmittals are combined and the total amount credited to the employer who made these remittances. When the Quarterly Reports are entered on magnetic tape, the contributions of each member are added and the total for the members of an employer is then compared to the total of the three transmittals. If the employer has done his work correctly, these figures agree and the Division can proceed to credit the payroll deductions to the members' accounts.

The Quarterly Report of Contributions is received by the Bureau of Contributions Accounting. This bureau reviews the report, validates the totals, and prepares the report for the Data Entry Section. After controls

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have been established, the report is ready for audit and posting by Data Processing.

Data Processing performs an audit of each member's account on the basis of reported salary, pension rate, loan, arrears, back deductions, group life insurance payments, and payments to the Supplemental Annuity programs. Following this audit, lists are printed which show in detail the data reported on accounts in which the deductions reported do not agree with the pension deductions as calculated. These reports are forwarded to the Bureau of Contributions Accounting for analysis and audit. After the review by the Bureau of Contributions Accounting, Data Processing prepares statements of shortages and refunds of overpayments for those employers whose reports are in error.

Data Processing, using the member's Master Account Record, applies the pension deductions reported for the member to the member's record and updates it by increasing the member's service and salary credit, adding to the member's account the pension deductions made in the quarter, and subtracting from the obligation balances any payments made to outstanding loans, arrears, or back deductions. Supplemental Annuity payments are handled in a similar manner but are not maintained in the member's basic record and therefore are not updated at the same time. The member's Master Account Record and any change or correction of information affecting the account are used to prepare the current posting on microfiche and magnetic tape. The microfiche is a permanent record of the changes and additions to the member's account and the balances in the account after the additions and changes have been made.

The Quarterly Report of Contributions for the subsequent quarter is prepared from the member's Master Account Record adjusted by current changes which affect the member's future pension deductions. Current base salary changes, new loan repayment schedules, and changes in the percent of contribution to the Supplemental Annuity Program are representative of the types of changes which alter subsequent Quarterly Reports.

9.41 SUPPLEMENTAL ANNUITY COLLECTIVE TRUST—The Supplemental Annuity Program provides the member with a voluntary program of saving and investing which will produce, upon retirement, a variable annuity to supplement his retirement allowance. A companion program provides a tax-sheltered program. Both programs are fairly identical in operation, but only certain members can take advantage of the tax-sheltered provision.

An enrollment application is completed by the member and his employer and forwarded to the office of the Chief Accountant of the Division who administers the Supplemental Annuity Program. If the member is applying for a Tax-Sheltered Program, an agreement between the member and his employer to establish the salary reduction must be

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made prior to application. The application is reviewed for completeness and eligibility, and a Certification of Payroll Deductions is prepared and forwarded to the member and his employer. The enrollment application is sent to the DP I/O Control Section where controls are established and the information regarding salary deductions, or in the case of the Tax-Sheltered Program, salary reductions, is recorded for computer processing. Although payments to either program are made through the pension reports of contributions, a separate account is established in which a record of contributions is maintained. After the necessary records have been produced, the enrollment application is sent to the Records Section where the member's permanent file in the Supplemental Annuity system is maintained.

9.42 ALTERNATE BENEFIT PROGRAM—The Alternate Benefit Program is a fixed and/or variable annuity program available primarily to faculty members of the State and county colleges.

The Alternate Benefit Program is underwritten by a private carrier, and while the Division of Pensions is responsible for the enrollment of members, the audit and payment of employer contributions, as well as the general administration of the accounts of active members, the carrier makes benefit payments and establishes fixed and variable annuity rates. Members other than those paid by the State's Centralized Payroll Unit are reported directly by the institutions in which they are employed.

9.5 ANNUAL STATEMENTS—Each year the Division of Pensions issues to each member a statement of his account in the retirement system. These statements show the member's total contributions, rate of contribution, any loan or arrears balance owed by the member, the current employer, and the system to which the member belongs.

Annual statements are issued to all members of the Supplemental Annuity system which show the member's contributions, annuity units purchased, current value of the account, whether or not the account is in the Tax-Sheltered Program, and the present value of the annuity units.

9.6 PURCHASES OF SERVICE CREDIT—Applications for the purchase of service credit are processed by the Purchase Section of the Bureau of Enrollment and Purchases. This section determines what service the member may buy and notifies Data Processing where the cost of the purchase is calculated. Costs are quoted in two ways—lump sum payments or installment deductions over a period of time. If the member chooses to pay for the purchase by lump sum payment, the Purchase Section directs the DP I/O Control Section to include this service in the member's record. If the member elects to make the purchase by installment payments, a schedule is established, and Data Processing certifies to the employer the date of the first payment, the amount of each payment, and the total obligation.

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9.7 LOANS—A member of the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, Police and Firemen's Retirement System, and the State Police Retirement System may borrow up to 50 percent of the balance in his account after the completion of 3 years of membership as established in such account. The member completes a loan application which is forwarded to the Loan Section of the Retirement and Claims Bureau. The Loan Section processes the application, reviews the information furnished by the member, determines the member's eligibility for a loan, and forwards the application to the DP I/O Control Section. The loan application is keypunched and then entered for processing to the member's account. Computer programs revalue existing loans and schedule the repayment of outstanding loans, write loan checks, prepare a loan register for control purposes, provide the required bookkeeping entries, and establish the obligation in the member's account. After the processing is completed, the loan application and a copy of the Certification of Deductions are forwarded to the Records Section where they are filed in the member's permanent file. Two copies of the Certification of Deductions are sent to the member's employer. One copy is retained by payroll personnel; the other is given to the member.

9.8 TERMINATION OF MEMBERSHIP—

9.81 WITHDRAWAL—In the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, Police and Firemen's Retirement System, and the State Police Retirement System, an individual may withdraw his contributions upon the termination of his employment. The member completes an application for withdrawal which requires a certification by his employer. The withdrawal application is sent to the Claims Section of the Bureau of Retirement and Claims where the withdrawal number is assigned and the application prepared for computer processing. The forms are then processed by the DP I/O Control Section and sent to Data Processing where checks are drawn and proof registers printed. After the checks are drawn and the proof registers have been approved, the withdrawal application is sent to the Records Section and placed in the member's file. Since the completed withdrawal application terminates the membership in the system, these files are microfilmed and retained for future audit and review by the Department of Insurance.

9.82 DEATHS—Upon the death of a member or pensioner of the several systems, the designated beneficiary is entitled to the proceeds of, where applicable, survivor benefits, option benefits, insurance, or a refund of contributions. Upon approval of the claim, payment is authorized and the DP I/O Control Section is notified by the Claims Section of the Retirement and Claims Bureau.

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9.83 RETIREMENTS—A member of any system may request a retirement estimate prior to his anticipated date of retirement. This information is supplied by the Bureau of Retirement and Claims which processes all retirement applications for the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System. The Bureau reviews the retirement estimate request to be certain that it is complete and forwards the request to DP I/O Control Section for processing. Data Processing calculates the benefits for which the member is eligible and prepares a quotation of retirement benefits. The quotation is reviewed by the Retirement and Claims Bureau and sent to the member. Upon retirement the Bureau of Retirement and Claims processes the retirement application and other required data to the DP I/O Control Section. Data Processing calculates the reserves necessary to support the retirement allowance and supplies the necessary entries to the Bookkeeping Section. The Retirement and Claims Bureau also notifies the Disbursement Section of the Bureau of Contributions Accounting of all information necessary to enter the pensioner on the monthly pension payroll. If the pensioner wishes to retain health insurance protection at group rates, deductions may be made from his retirement allowance or pension.

9.9 THE STATE HEALTH BENEFITS PROGRAM—The State Health Benefits Program provides the employee of an employer who has elected to cover his employees, with basic and extended hospital and medical-surgical protection and major medical insurance. It also extends to the employee the opportunity to cover his dependents for such insurance. The cost of the employee's protection is borne by the employer, but the extension of coverage to the dependents of the employee represents a cost to the employee, unless the employer has agreed to pay all or part of the cost of the dependent coverage.

The employee completes an enrollment and authorization card on which he selects the type of coverage he desires for himself and his dependents. This card is certified by the employer and sent to the Health Benefits Bureau of the Division of Pensions. The bureau reviews the card to insure that all of the required information is present and forwards the card to the DP I/O Control Section where controls are established; these are designed to provide the member with coverage, and project, in a report to his employer, the deductions required for the coverage selected by the member. Identification cards are prepared which evidence the member's enrollment in the Blue Cross/Blue Shield Program, and an insurance certificate, citing the coverage provided by the major medical program, is supplied to the member.

Notice of the member's coverage is sent to the health insurance carriers. The enrollment and authorization card is returned to the Health Benefits Bureau where it is filed to provide a reference to the coverage selected and the date on which such coverage became effective.

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ENROLLMENT AND PURCHASES

ENROLLMENT

10. THE ENROLLMENT AND PURCHASE BUREAU—The bureau has its functions divided among three sections. The work of the Enrollment Section is detailed beginning with 10.1, the Beneficiary Designation Section with 20, and the Purchase Section beginning with 21.

10.1 THE ENROLLMENT SECTION—The Enrollment Section is responsible for the processing of enrollment and transfer applications for members of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, and the Alternate Benefit Program. Its most important duty is to determine coverage for those public employees who are eligible for membership in these systems. Coverage of the Police and Firemen's Retirement System is detailed in 127. Coverage of the Alternate Benefit Program is detailed in 141.

10.2 COVERAGE OF THE TEACHERS' PENSION AND ANNUITY FUND—Members of this fund can be found in every school district in the State as well as in the State Department of Education and the county vocational schools. Any employee under 70 years of age coming within one of the titles listed below is required to become a member of the fund as a condition of employment.

a. Teacher or member of the professional staff, certificated by the State Board of Examiners:

Assistant City Superintendent
Assistant Commissioner of Education
Assistant Subject Supervisor
Assistant Superintendent in Charge of Business
City Superintendent
Coordinator
Coordinator for Distributive Education
County Superintendent
Director
Director, Administrator, or Supervisor of Guidance and Student Personal Services
General Elementary Supervisor
General Secondary Supervisor
General Supervisor of Instruction
Guidance and Placement Counselor
Guidance Director
Helping Teacher
Learning Disability Specialist
Librarian
Music Teacher
Principal
Recreation Director
Regular Teacher
School Administrator
School Business Administrator
School Nurse
School Occupational Therapist
School Physical Therapist
School Psychologist
School Social Worker
Speech Therapist
Special Teacher
State Commissioner
Subject Supervisor
Superintendent
Supervising Principal
Supervisor
Teacher-Clerk
Teacher-Counselor
Vice-Principal
Vocational Administrator
Vocational Supervisor
Vocational Trade and Industrial Coordinator
Vocational Trade and Industrial Teacher

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b. Employees of the Department of Education who hold titles that are unclassified, professional, and certified are eligible for membership.

c. Employees hired after August 1, 1966, or whose enrollment applications were received by the Teachers' Pension and Annuity Fund after this date were ineligible for membership under the provisions of Chapter 218, P.L. 1966. Employees hired in the positions listed below should normally be enrolled in the Public Employees' Retirement System.

Janitor	Firemen
Assistant Janitor	Janitor-Bus Driver
Janitress	Custodian
Engineer	Matron

10.3 COMPULSORY AND OPTIONAL ENROLLMENTS—There are several categories of eligible memberships in the Teachers' Fund; these are divided between those individuals who are compulsorily required to become members of the fund and others whose membership is optional. Inquiries with respect to the compulsory or optional nature of coverage should be made to the Chief of the Enrollment and Purchase Bureau. Generally most individuals employed for the first time in any of the titles enumerated in section 10.2a are required to enroll in the fund.

10.4 INELIGIBLE COVERAGE—The applications of teachers whose title does not appear in section 10.2a should be accompanied by a statement covering the qualifications and duties of the position in order that a decision may be rendered as to the individual's eligibility. Generally, noncertificated professional personnel are not eligible and neither are temporary, seasonal, or substitute teachers.

10.5 COVERAGE OF EMPLOYEES AND THE FEDERAL ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965—Eligibility for enrollment or continued membership in the Teachers' Pension and Annuity Fund of an employee who is working under the Federal Elementary and Secondary Education Act is to be based primarily on the nature of the employment relationship between the employee and his employing board of education or State agency. The mere fact that the funds to pay an employee's salary are derived from Federal sources is not material in determining his eligibility for membership in the Teachers' Fund. Eligibility is to be determined on exactly the same basis for these employees as eligibility is determined for all regular employees of the board or agency who are paid from general funds of the board of education or the State.

If an employee who is working under the Federal act meets all three of the following prerequisites, he is to be enrolled or continued as a member if he is already enrolled in the Teachers' Pension and Annuity Fund.

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1. He is a regular employee of the board or agency serving under a written contract as provided by N.J.S.A. 18A:27-5 which is not conditioned upon the continuance of Federal funding.

2. He is employed as a "teacher," as defined by N.J.S.A. 18A:66-2p, in a position title which is shown on the reverse side of the enrollment application for the Teachers' Pension and Annuity Fund as one of the positions covered by the Teachers' Fund.

3. He has a valid certificate of the State Department of Education for the position that he holds under the Federal Elementary and Secondary Education Act.

A new employee of the board or agency who satisfies the three foregoing prerequisites is to be enrolled in the Teachers' Pension and Annuity Fund. Also, if an individual who has been employed by the board or by another board of education in the State accepts a Title I position with the board or agency, provided he meets the three foregoing prerequisites, he is to be continued in the Teachers' Fund at the full contractual salary he is earning in the Title I position.

Any "teacher" who is employed in a Title I position but is not serving with the board or agency under a contract, or is not certificated for the position he holds under Title I or is serving in a position which is not covered by the Teachers' Fund, is not eligible for enrollment in the fund if he is a new employee, nor is he eligible to continue as a contributing member of the fund if he was a member of the fund prior to acceptance of the Title I position.

Temporary, substitute, per diem, or hourly employees are not eligible for membership in the Teachers' Fund.

Some State agencies and boards of education have engaged employees in position titles which are not covered by the Teachers' Fund and have questioned the eligibility of these individuals for membership in the Public Employees' Retirement System. Eligibility for membership in the Public Employees' Retirement System also depends on the nature of the employment relationship between the employee and his employer. If the individual is a regular employee of the agency or board, rather than a temporary or seasonal employee, even though he is not serving under a written contract, he must enroll in the Public Employees' Retirement System if he is otherwise eligible for membership.

11.1 COVERAGE OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM—There are basically four groups of public employees who are eligible for membership in the Public Employees' Retirement System. The first are all State employees including State employees who are on county or municipal payrolls but whose positions have been legally defined as those of State employees. Secondly, there are employees who have been permitted to enroll in the State system as a result of a referendum or resolution in the county, municipality, or public agency,

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where this is appropriate. In the third group there are employees whose veteran status requires their membership in the State system including those who are employed in entities where nonveteran employees are not eligible for membership. Finally, all employees holding positions covered by the retirement system who are hired after July 1, 1966, must be enrolled in the State system. Within these groups coverage is possible on a compulsory or optional basis. In the succeeding sections there is a discussion of eligible coverage between those employees who are compulsory as well as those who are optionally covered.

11.2 COVERAGE OF PUBLIC EMPLOYEES' RETIREMENT SYSTEM AMONG STATE EMPLOYEES—Coverage is divided between those individuals who are compulsorily required to become members of the system and those whose membership is optional. This differs among veterans and nonveterans as follows:

a. Veterans—

1. Every veteran in public employment on January 2, 1955, regardless of civil service status, who did not divest membership in the system, must enroll and contribute retroactively to January 2, 1955.

2. A veteran who divested membership in writing prior to January 31, 1955, and who did not terminate his employment is considered an optional enrollee and may establish membership in the system at any time. If such a veteran terminates employment and later returns, he would be required to enroll as a condition of employment.

3. A veteran appointed in the classified service after January 2, 1955, will not be eligible for membership until he receives a permanent appointment. His compulsory enrollment is 4 months after the permanent appointment, and contributions will be required from that date.

4. A veteran appointed in the unclassified service must enroll within 4 months from the date that his employment began.

b. Nonveterans—

1. Every nonveteran employee who was in a permanent capacity in the classified service on December 31, 1954, may enroll at any time as a new member.

2. Any nonveteran who withdrew from the system prior to January 31, 1955, may reenroll in the system.

3. Every nonveteran receiving a permanent appointment after January 2, 1955, must enroll in the system. His compulsory enrollment date is 4 months after the permanent appointment, and contributions will be required from that date.

4. A nonveteran in an unclassified position hired prior to August 1, 1966, is an optional enrollee, but once enrolled he must remain a member of the system until he terminates employment.

5. All nonveterans appointed to an unclassified position on or after August 1, 1966, are required to enroll as a condition of employment. The

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member's compulsory enrollment date is 4 months after he has received his appointment, and contributions will be required from that date.

Membership for veteran elected officials is compulsory whereas participation is optional for nonveteran elected officials.

11.3 COVERAGE OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AMONG COUNTY, MUNICIPAL, AND PUBLIC AGENCY EMPLOYEES—Coverage is divided between those individuals who are compulsorily required to become members of the system and others whose membership is optional. This differs among veterans and nonveterans as follows:

a. Veterans—

1. Every veteran in public employment on January 2, 1955, regardless of civil service status, who did not divest membership in the system, must enroll and contribute retroactively to January 2, 1955.

2. A veteran who divested membership in writing prior to January 31, 1955, and who did not terminate his employment is considered an optional enrollee and may establish membership in the system at any time. If such a veteran terminates employment and later returns, he would be required to enroll as a condition of employment.

3. A veteran appointed in the classified service after January 2, 1955, will not be eligible for membership until he receives a permanent appointment. His compulsory enrollment is 4 months after the permanent appointment, and contributions will be required from that date.

4. A veteran appointed in the unclassified service must enroll within 4 months from the date that his employment began.

5. A veteran hired after January 2, 1955, by an employer who has not adopted civil service must enroll within 4 months from the date that his employment began.

b. Nonveterans—

1. Any nonveteran who withdrew from the system prior to January 31, 1955, may reenroll in the system.

2. All nonveteran employees of employers are eligible for membership in the system once their employer has adopted the plan by referendum or resolution of the governing body. A nonveteran employee hired before the date of adoption is an optional enrollee while those hired after the date of adoption, or July 1, 1966, whichever is earlier, are considered compulsory enrollments. Once an employee is enrolled, he must remain a member of the system until he terminates employment.

3. A nonveteran employee appointed in the unclassified service on or after July 1, 1966, will be required to establish membership in the system. His compulsory enrollment date is 4 months after his employment began.

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4. Nonveterans, regardless of whether the employer has adopted the retirement system, who are otherwise eligible for membership and, if hired after July 1, 1966, must enroll.

Membership for veteran elected officials is compulsory whereas participation is optional for nonveteran elected officials.

Part-time school crossing guards hired prior to March 4, 1976, the effective date of Chapter 430, P.L. 1979, and part-time school crossing guards hired after March 3, 1976, the effective date of Chapter 344, P.L. 1975, are optional enrollees if they are receiving periodic retirement benefits from the Federal Government, whether military or civilian pensions, and including social security benefits. Crossing guards who had previously retired from any public retirement system in New Jersey, or in any other state, other than the Public Employees' Retirement System, are ineligible for enrollment in the system under N.J.S.A. 43:3C-1. However, if a retired member of the system is employed, after retirement, as a part-time school crossing guard, he must be reenrolled in the Public Employees' Retirement System.

It is clear that veterans and nonveterans who fill a regularly budgeted position for an employer who has not adopted civil service must enroll within 4 months from the date that their employment began. However, where an individual is not occupying such a regularly budgeted position or office, his employer may consider him temporary within the first year of employment; if he is otherwise eligible and his employment continues into his second year, his compulsory enrollment date will be the first of the month following the end of the 1-year (12-month) period.

11.31 COMPREHENSIVE EMPLOYEE AND TRAINING ACT (CETA)--The same enrollment rules are applicable to CETA employees as are applicable to other public employees. If the employing agency has adopted civil service, CETA employees who have temporary status in classified civil service positions are not eligible for membership in the Public Employees' Retirement System until they obtain permanent civil service status. They are then required to enroll in the system within 4 months of their permanent appointment.

If the employment agency has never adopted civil service, CETA employees may be considered as temporary by their employer and, therefore, ineligible for membership in the system during their first year of employment. However, if they are continued in employment beyond their initial year, they are considered "permanent" employees for pension purposes as of the beginning of their second year of employment and must be enrolled in the system as they begin their second year of employment. The system's procedures provide the following exception to the foregoing: If an individual is a member of the Public Employees' Retirement System as a result of previous public employment and his membership has not been terminated, he is subject to pension contribu-

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tions for the system if he returns to public employment in New Jersey, including a CETA position, even if he is a temporary employee.

We understand that counties which have contracted as agents with the Federal government under the CETA program have two alternatives as to how the CETA program may be administered by counties and municipalities:

a. The county may agree to allocate, not only CETA positions, but also the funds to support those positions, to a municipality (or municipalities) so that the municipality itself may then pay CETA employees' salaries and fringe benefit costs.

b. Under the alternative procedure the county may allocate positions to various municipalities but insist on having the CETA employees paid by the county itself, rather than by the municipality. If the municipality has the right to "hire" and "fire" the CETA employees, the municipality is the employer even though the county pays the employee's salary. The employee is entitled to the same fringe benefits as other municipal, not county, employees. The municipality is responsible for enrolling the employee in the retirement system; the remittance of pension deductions, social security taxes, health benefit premiums, etc., even though the employee is paid through a county payroll, is the responsibility of the municipality as the employer.

11.4 COVERAGE OF STATE EMPLOYEES PAID BY A COUNTY OR MUNICIPALITY—Please see 12.6 for a description of the classification of such individuals and the compulsory and optional nature of coverage.

11.5 COVERAGE OF EMPLOYEES PREVIOUSLY COVERED BY A TERMINATED PENSION FUND—Please see 13.2 for a description of the classification of such individuals and the compulsory and optional nature of coverage.

11.6 INELIGIBLE COVERAGE OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Individuals who are not eligible for membership in the system include:

a. Temporary or seasonal employees. (See 11.3, last paragraph.)

b. All employees who do not earn $500 annually, who are not paid in each of the four calendar quarters, or who are not properly covered by social security as public employees.

c. Any employee who is personally eligible or a member of another contributory retirement system and the system has not been terminated and merged with the Public Employees' Retirement System.

d. Self-employed independent contractors who are not on a public payroll and who are reimbursed for their service by voucher. These include individuals who render professional service to State and local

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agencies and whose position is not stipulated as an officer or employee of the State or the community.

e. Judges of the Supreme, superior, county, district, Juvenile and Domestic Relations, and tax courts.

f. Motor Vehicle agents and their employees.

g. Licensing agents of the Fish and Game Division and their employees.

h. Workshop employees of the Commission for the Blind.

i. An employee, who is otherwise eligible, but who is a retired member of any other public retirement system in New Jersey or in any other state.

11.7 **WAIVERS, VETERANS AND NONVETERANS**—In the Public Employees' Retirement System if a person was a former member and withdrew, such an individual is permitted to reenroll in the State system if he is still employed by the same employer for whom he was working on January 2, 1955. If he accepts employment in another State agency, with a participating employer or with a nonparticipating employer, his enrollment is compulsory if he is otherwise eligible.

Veterans as well as nonveterans who waived membership in the Public Employees' Retirement System must agree to purchase all service with the employer rendered since January 2, 1955, to the date of their enrollment in order to be eligible for membership. Under the agreement to purchase service the veteran would receive free prior service credit for service prior to January 2, 1955, whereas the nonveteran could purchase service prior to this date if he so desired. However, a nonveteran could never purchase service prior to the effective date of the adoption of the system by his employer.

11.8 **ALTERNATE BENEFIT PROGRAMS**—Legislation adopted in 1965 and later, permitted the establishment of Alternate Benefit Programs for full-time members of the facilities at public institutions of higher education in the State.

That legislation also provided that any member of the Teachers' Fund who secures a full-time position which would normally be covered by an Alternate Benefit Program is no longer eligible to continue his membership in the Teachers' Fund. However, such a member could waive participation in the Alternate Program and transfer his membership from the Teachers' Fund to the Public Employees' Retirement System. Such an individual must file an application for enrollment in the retirement system, an interfund transfer application, and a waiver for participation in the Alternate plan. This must be accomplished within 31 days following his appointment in order to transfer his membership from the Teachers' Fund to the Public Employees' Retirement System.

If a member of the Public Employees' Retirement System took such

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a position, he could continue his membership in the system by filing the necessary form thereby waiving his rights to participate in the Alternate Program.

12.1 NONVETERAN COVERAGE, REFERENDUM FOR COUNTY, MUNICIPAL, AND PUBLIC AGENCY EMPLOYEES—The State Employees' Retirement System, the predecessor of the present system, was initially extended only to State employees on January 1, 1922. In July 1938 the first local jurisdiction was permitted to enroll its employees in the State system, and it has been followed by numerous counties and municipalities which have since adopted this pension program.

All veterans throughout the State had been covered since 1955. With the enactment of Chapter 71, P.L. 1966, the Public Employees' Retirement System was extended to every community in the State. Every new public employee who was not required to become a member of another contributory retirement program, who was covered by social security, and whose earnings equaled at least $500 throughout the calendar year, is also required to enroll in the system, while all such similar persons employed prior to July 1, 1966, were afforded the opportunity to enroll at their option. Under terms of the statute the political subdivisions which had not yet acted to extend coverage and provide for the funding of the prior service credit retained the opportunity to extend such coverage on behalf of those who enroll in the system following either a referendum or a resolution.

12.2 NONVETERAN COVERAGE, PROCEDURE FOR COUNTY, MUNICIPAL, AND PUBLIC AGENCY EMPLOYEES—In order to extend the Public Employees' Retirement System to employees of a county or municipality, the following question may be placed on the ballot at a general election: "Shall credit for service rendered to (name of employer) prior to July 1, 1966, be granted to members of the Public Employees' Retirement System as provided by Chapter 84, P.L. 1954, with amendments and supplements?" In accordance with State election procedure the county or municipal governing body must adopt a resolution to this effect and request the county clerk, at least 40 days prior to the election date, to have this question appear on the ballot.

If a majority of the voters approve participation in the State system, it becomes effective the following June 30. All nonveteran employees of both the municipality and coterminous school district who are on the payroll on June 30 have the option of enrolling in the system. Membership for permanent employees hired subsequent to June 30, 1966, is a condition of employment. Employees on the payroll prior to July 1, 1966, would be entitled to receive free prior service credit provided they establish membership in the retirement system within the first year following the date of the employer's participation in the State system.

Exclusive of the action of the coterminous municipality, the employ-

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ees of a school district will be granted prior service credit for service prior to July 1, 1966, if and when the district passes a resolution granting prior service to its employees in accordance with the provisions of Chapter 389 of the Laws of 1978. The "adoption date" of the consolidated school district would be the "adoption date" of the last municipality of the school district that adopted the system. The school district comprised of two or more municipalities may also place the question of adopting the retirement system on the ballot for the qualified voters of the school district at a school election. If the question is affirmed, all employees in the school district would receive prior service credit for service prior to July 1, 1966. The "adoption date" for the school district comprised of two or more municipalities would be June 30 of the following year.

Counties, municipalities, and public agencies may also grant credit for service rendered prior to July 1, 1966, on the basis of a resolution adopted by the governing body. The form of the resolution can be obtained by writing to the Chief Counselor of the Division of Pensions. The Division will prepare an estimate of employer's cost of participation.

Any employer that wishes to investigate the advisability of adopting prior service credit may submit a list of all his present employees and their birthdates, salaries, and years of service for each employee. A member of the Division's field staff may be called upon to meet with the governing body or interested employees to discuss costs and benefits.

All inquiries regarding costs, benefits, and coverage should be referred to the Chief Counselor.

12.3 **VETERAN COVERAGE**—Prior to January 1, 1955, N.J.S.A. 43:4-1 et seq., provided that a war veteran who had 20 years or more of service with a public employer in the State and who had attained 62 years of age was entitled to a pension of one-half of his final year's salary; the veteran was not requested to contribute toward the cost of the pension. Prior to World War II there was only a limited number of veterans in public employment; however, because a large number of veterans of World War II and the Korean Emergency entered public employment, this statute resulted in a huge unfunded liability for practically all counties and municipalities in the State. Such employers would have had to provide for these pensions in future budget appropriations.

Recognizing that sound fiscal policy demanded the funding of this liability, Chapter 84 of the Laws of 1954 provided that all veterans in the employ of the State and any county, municipality, school district, or public agency, who were not eligible for any other contributory pension plan, were required to enroll in the State system.

Any veteran who was in the category on January 1, 1955, permanent or temporary, classified or not, had 1 month to decide whether he wished to enroll in the State system. Even if he did not enroll, he waived coverage under the noncontributory Veterans' Retirement Act.

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The statute places the responsibility for the enrollment of veterans directly on the governing body of the public employer. All of the public employers in New Jersey have been circularized on numerous occasions since 1955 in an attempt to acquaint them with the provisions of the statute.

12.4 VETERAN COVERAGE, REQUIREMENTS—Individuals who file enrollment applications in the State system and who indicate their veteran status must submit adequate military records in order to establish such status. In the event that such records are incomplete or are not submitted, these individuals will be enrolled as nonveterans until such time as the necessary evidence has been supplied by the enrolling member. Normally a photostatic copy of the individual's military service record showing both the induction and the discharge dates is considered satisfactory. As the back of the discharge will set forth the record of service, veterans should submit photostatic copies of both sides of their discharge. Moreover, the signature and date of birth on the discharge must agree with the enrollment application; otherwise the veteran should explain the discrepancy.

12.5 VETERAN COVERAGE, DEFINITION—In order to establish veteran status the member must have served in World War I sometime between April 16, 1917, and November 11, 1918; in World War II for at least 90 days between September 16, 1940, and September 2, 1945; in the Korean Conflict for at least 90 days after June 23, 1950, and prior to July 27, 1953; or in the Vietnam Conflict for at least 90 days on active service after December 31, 1960, and prior to August 1, 1974.

The 90-day requirement for service is not prescribed if the veteran was discharged because of a service-incurred or service-aggravated disability. Terminal dates cannot be included in counting active service. Service with WAAC cannot be included, but service with the WAC does qualify. AWOL must be deducted from active service and if this reduces the active service to less than the 90-day service requirement, veteran status will be denied.

Veteran status cannot be granted where the individual received a dishonorable discharge, a discharge from the draft, or disenrollment from the Coast Guard Reserve, a discharge from the reserve with no evidence of active service in time of war, or if he served in the Merchant Marine or State Militia, student training corps during World War II, in an army of the Allies but was not a citizen of the United States at the time of such service, in the National Guard which was not federalized at the time of such service, or in the military service during peace time. Also ineligible are military service for training purposes and courses of education and training under the Army Specialized Training Program or the Navy College Training Program, which courses were a continuation of the individual's civilian courses and were pursued to completion, as a cadet or midshipman at one of the service academies or any military service

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performed pursuant to the provisions of section 511 (d) of Title 10, United States Code, pursuant to enlistment in the Army National Guard or as a reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps, or Coast Guard Reserve.

12.6 STATE EMPLOYEES PAID BY A COUNTY OR MUNICIPALITY—Some public employees have been defined by opinions of the Attorney General as State employees even though these individuals are on county or municipal payrolls. By statute every person appointed to a position classified as a "State employee paid by a county or municipality" who received his appointment after February 10, 1956, must be enrolled. Coverage is optional for those who received their appointment prior to this date. In the counties of Essex, Hudson and Passaic where contributory funds are available, individuals in this classification could have transferred their membership from the county fund to the State system.

The following employees are to be considered as "State employees paid by a county or municipality:"

(a) Employees of the Supreme, superior, county, and other courts.

(b) Superintendent of Elections and his employees.

(c) Members of the county boards of election and their employees.

(d) Employees of county boards of taxation.

(e) Employees of probation bureaus or departments.

(f) County Prosecutor and his employees.

(g) Employees of county superintendents of schools (County Superintendent of School is paid by State Department of Education.)

(h) County detectives and investigators.

(i) Clerk of the Grand Jury.

(j) Jury commissioners and their employees.

(k) Secretaries to superior courts judges whether in the Law or Chancery Division.

(l) Municipal magistrates are considered to be State employees paid by the municipality.

12.7 LAW ENFORCEMENT OFFICER, DEFINITION—Employees of the following agencies classified in titles listed below as permanent and full time active employees are eligible for membership in the Public Employees' Retirement System in the special category of law enforcement officer. All members in such positions were permitted to transfer to the Police and Firemen's Retirement System as a result of legislation in 1973, and as of June 1, 1973, all new employees with these titles, provided they are otherwise eligible, must enroll in that system as a condition of employment.

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A. Motor Vehicle Division
   1. Motor Vehicle Officer
   2. Motor Vehicle Sergeant
   3. Motor Vehicle Lieutenant
   4. Motor Vehicle Captain
   5. Assistant Chief, Bureau of Enforcement
   6. Chief, Bureau of Enforcement

B. Alcoholic Beverage Control Division
   1. Inspector
   2. Investigator
   3. Administrative Inspector

C. Palisades Interstate Park Commission
   1. Patrolman
   2. Police Officer

D. Department of Environmental Protection
   1. Division of Fish and Game
      a. Conservation Officer
      b. Assistant District Conservation Officer
      c. District Conservation Officer
   2. Division of Resource Development
      a. Senior Marine Police Officer
      b. Assistant Chief Marine Police Officer
   3. Division of Shell Fisheries
      a. Inspector
      b. Officer
      c. Senior Inspector
      d. Principal Inspector

E. State Employees Paid by Counties
   1. County Detectives
   2. Lieutenant of County Detectives
   3. Captain of County Detectives
   4. Chief of County Detectives
   5. County Investigator in Office of County Prosecutor

F. Employees of County Sheriff's Department
   1. Sheriff's Officer
   2. Lieutenant Sheriff's Officer
   3. Captain Sheriff's Officer
   4. Chief Sheriff's Officer
   5. Sergeant Sheriff's Officer
   6. Sheriff's investigator

The law enforcement officer category of membership was originally established by Chapter 257 of the Laws of 1955 and was amended subsequently. Any persons employed in any of the titles listed above on the date when the position became covered by this legislation were given 90 days to elect the special category of membership. They were required

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to sign a waiver form indicating that they did not wish to elect membership in the retirement system as a law enforcement officer. Those who desired this special category of membership were required to sign a statement of intent. Chapter 170 of the Laws of 1959, prescribed that all individuals in these positions will be enrolled as nonlaw enforcement officers or regular members of the system unless they specifically signed a statement of intent to join the special category of membership.

The employees of the agencies listed below had to sign waivers or statements of intent as law enforcement officers prior to the dates indicated:

(a) Motor Vehicle Division—August 20, 1956
(b) Alcoholic Beverage Control Division—October 23, 1956
(c) Palisades Interstate Park Commission—September 9, 1957
(d) Department of Environmental Protection 1. District Conservation Officer and Assistant Chief Marine Police—September 28, 1966
(e) Employees of County Prosecutors—August 27, 1965
(f) Employees of County Sheriff's Departments—May 27, 1973

12.8 JUDGES OF STATE AND COUNTY COURTS—Judges of Supreme, superior, county, county district, Juvenile and Domestic Relations, and tax courts are members of the Judicial Retirement System pursuant to Chapter 140, P.L. 1973. Coverage of the system is detailed in 88.

13.1 TERMINATED PENSION FUNDS, COVERAGE—Chapter 169, P.L. 1956, makes the Public Employees' Retirement System available to members of local contributory pension funds. Before a local fund may be terminated and the membership transferred to the Public Employees' Retirement System, the following steps are required:

(a) A request (in the form of a resolution) to the Governor by the political subdivision or subdivisions maintaining a contributory pension fund, that he issue a proclamation calling for the holding of a referendum among the eligible members of the local plan.

(b) The Governor's proclamation of the referendum.

(c) A 90-day notice of the referendum given to all members.

(d) A successful referendum and the Governor's certification of the results.

(e) A 60-day waiting period.

(f) The termination of the local fund and the merger with the Public Employees' Retirement System.

After the termination of a local fund the following procedure would apply in transferring the members to the Public Employees' Retirement System.

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13.2 TERMINATED PENSION FUNDS, ENROLLMENT—An application for enrollment must be filed by each member of the local fund, and in the event the member is a veteran, all public employment within the State must be certified. The employer must list all services the employee established as a member of the local contributory fund together with the total amount the member contributed to the local fund. The effective date of social security would be determined when the agreement is signed with the Federal Government.

Any person becoming an employee after the effective date, whose position was previously covered by the local contributory fund, would be required to enroll in the Public Employees' Retirement System as a condition of employment.

13.3 TERMINATED PENSION FUNDS, CONTRIBUTIONS—

(a) VETERAN—A veteran would receive free prior services credit for all public employment prior to January 1, 1955, rendered within the State, and his contribution age and rate would be determined by subtracting the total of all public employment from January 1, 1955, or date of employment, whichever is later, and then subtracting his birthdate from the date obtained.

(b) NONVETERAN—A nonveteran would contribute at the rate and age applicable to his age at entrance in the local contributory fund. This would be determined by subtracting the date of birth from the date of entrance in the local fund.

13.4 TERMINATED PENSION FUNDS, TRANSFER DATES—The following transfers have been effectuated on the dates indicated:

South Orange Village	8/1/57
Cumberland County, Weights and Measures	8/1/57
Gloucester County, Weights and Measures	10/1/57
Cape May County, Weights and Measures	10/1/57
Salem County, Weights and Measures	11/1/57
Paterson Board of Health	11/1/57
Monmouth County, Weights and Measures	12/1/57
Ocean County, Weights and Measures	1/1/58
Burlington County, Weights and Measures	2/1/58
Hudson County Board of Education Employees	2/1/60

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13.5 CLOSED PENSION FUNDS, COVERAGE—A substantial number of pension funds have not necessarily terminated their operation but rather have closed the fund to new employees. A number of the smaller county contributory pension funds did so in the years since 1947 with the enactment of enabling legislation in that year.

In addition a number of county-wide pension funds have closed their membership to new employees: the Essex County Employees' Retirement System was closed March 26, 1961, pursuant to Chapter 191 of the Laws of 1960; the Passaic County Employees' Retirement System was closed August 1, 1966, pursuant to Chapter 210 of the Laws of 1966; while the Hudson County Employees' Retirement System was closed January 10, 1974, pursuant to Chapter 345 of the Laws of 1973. The State, too, has closed its membership in its Prison Officers' Pension Fund to new employees effective January 1, 1960.

In each case new employees were enrolled in the Public Employees' Retirement System. Social security coverage is available to individuals in positions covered by these closed pension funds since all of them qualify as "ineligibles" as they are no longer eligible to participate in the closed fund.

14.1 INSURANCE COVERAGE—Most new members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System are covered by the noncontributory and contributory death benefits.

The members of both systems generally have noncontributory and contributory death benefit coverage. In the case of the Teachers' Pension and Annuity Fund, contributory insurance coverage has been compulsory in the first year of membership for most new members since January 1, 1958. In the Public Employees' Retirement System, contributory insurance has been compulsory in the first year of membership for most new members since July 1, 1963. Consequently, contributory insurance will be certified for most newly enrolled members of the two systems and contributions will be requred for this coverage.

14.2 INSURANCE CERTIFICATE—Insurance certificates are prepared in accordance with the member's status as to whether he is covered by the insurance benefits. The information given on the policy certificate is as follows:

(a) Member's name;
(b) Location number;
(c) Membership number;
(d) Effective date of insurance;
(e) Designation of beneficiary.

If the beneficiary on the application for enrollment is not acceptable, then a letter will be forwarded to the individual indicating the problem. Where the individual has designated more than one beneficiary, in the

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absence of a specific request, the payments will be made on a share and share alike, survivor or survivors, basis.

Any or all information given on the insurance certificate may be altered by the Division of Pensions upon the employee's official request. For example, a change in name or beneficiary will require a rider to the original insurance certificate. These changes are effected by the Beneficiary Designation Section.

The insurance certificate is not a policy but is simply a statement of benefits based on policies contracted by the State Treasurer and the boards of trustees with the insurance carrier.

14.3 WHEN COVERAGE IS DENIED—Coverage may be denied to members of the retirement systems who cannot supply evidence of insurability in those situations where such proof is required. Any member who cannot be eligible for noncontributory death benefit coverage shall also be ineligible for contributory insurance coverage.

14.4 WHEN INSURABILITY IS REQUIRED—In the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, all compulsory enrollments are automatically covered by the noncontributory and contributory group insurance coverage as of the date of enrollment, provided, a) they had not attained age 60 on the date their enrollment applications were submitted, b) completed enrollment applications were filed for the employees within 1 year of the date their enrollment was required, and c) they were actively employed. A person who is not automatically covered by the noncontributory and contributory insurance coverage will be required to prove insurability. Upon receipt of the enrollment application a medical examination will be arranged by the insurance carrier for the member in order to establish insurability.

The member who proves insurability for the group insurance coverage will have his effective date of coverage established on the first of the month following the date he was accepted by the insurance carrier.

All members of the Public Employees' Retirement System or Teachers' Pension and Annuity Fund who prove insurability will be required to participate in the contributory group life insurance program for 1 year following the date their insurance coverage is effective.

14.5 INSURABILITY, PROCEDURE—In the event that proof of insurability must be established, the member is notified to that effect by the Division of Pensions. Evidence of insurability can be obtained through a medical examination. Until such proof of insurability is obtained, an individual cannot be covered by the insurance death benefits and consequently no such benefits are possible.

The insurance carrier will notify the member of the time and place for his examination. The results of that examination are reported to the

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retirement system. If the individual does not satisfy the medical examiners of the carrier, he may learn the reason for his failure by having his personal physician contact the carrier.

14.6 CONVERSION OF GROUP LIFE INSURANCE—Conversion privileges are available to members of State-administered pension programs. Each year the Division sends to all employers a statement outlining the conversion privileges available to members upon the termination of their leave of absence, employment, or retirement. The statement is sent in sufficient quanities in order that the employer may distribute a copy to each employee who is a member of a State-administered retirement system. Also, the employer should give every employee a copy of the statement prior to the termination of his leave of absence, employment, or retirement.

14.7 EMPLOYER LIABILITY FOR DELINQUENTLY FILED ENROLLMENT APPLICATIONS—Enrollment applications should be submitted by an employer during the 4-month period following the employee's regular or permanent appointment. If more than 1 year elapses between the date the employee was required to enroll and the date pension contributions were first certified, the employer will be liable for one-half of the employee's pension cost, as well as for the full cost of the employer's liability. The liability will be certified to the employer, and in the event it is not paid, it shall be included in the next budget subsequent to the certification of this special liability by the system. The amount of the liability certified by the system shall be due and owing to the system even if the employee is no longer in the employ of the employer on the date such monies are to be paid.

15.1 ENROLLMENT APPLICATION, TEACHERS' PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM—One enrollment application must be filed for:

(a) employees who have never been members;
(b) former members who have withdrawn;
(c) members who have been inactive for a period of 2 or more years.

No enrollment application should be filed for a member returning from a leave of absence or who is an active member transferring from another district. Inactive membership may be extended for a period up to 5 years from the date of the last contribution if the member is on an authorized leave of absence or in the event the member's service, through no fault of his own, has been discontinued by his employer.

An employee working for more than one employer must submit applications from each district where he is employed and should indicate on each application that he is employed by more than one employing agency.

Listed below are the sections of the enrollment application that

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must be completed by the employee, the employer, and the Enrollment Section.

The location number is the code assigned by the Division of Pensions to the employer from which the employee is enrolled, whereas the membership number is the number assigned to the applicant's account.

Part I—To be completed by the employee.

Part II—The employer certifies to the accuracy of information in part I (as completed by the employee) and completes part II.

Part III—To be completed by the Pension Division.

15.2 PART I, ENROLLMENT APPLICATION, TEACHERS' PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Part I to be completed by the employee.

(1) NAME—Insert full name using first, middle, and last name. If the applicant is a married woman, maiden surname should be given in the space provided as well as any surname used to establish a previous membership in the system.

(2) MAILING ADDRESS—The applicant's correct present mailing address in the event it is necessary for the Pension Division to contact him directly. Any change of address for the member should be reported to this office in order that it may maintain an updated record.

(3) SEX—Check "M" for male or "F" for female.

(4) DATE OF BIRTH—This date must be listed as to month, day, and year. In reviewing an enrollment application the files are checked to determine if the individual had a previous membership in the fund. The Enrollment Section will compare the birth date on the previous enrollment with that now furnished by the applicant. If the birth date is different, the individual is requested to supply proof of age.

(5) VETERAN STATUS—The information requested on the application regarding active military service must be recorded and a copy of the discharge attached. In order to process an enrollment, it is necessary that both the front and reverse sides of the discharge be supplied, as the applicant must establish both the induction and discharge dates which must indicate the period of active duty. Every applicant who has had active military service should complete this section and attach a copy of his honorable discharge. If the applicant does not qualify for veteran status, he will be notified and be enrolled as a nonveteran.

(6) FORMER MEMBER—If the applicant was a former member, he should check "yes." An enrollment application should not be filed for any employee who was a former member and who did not terminate his membership by withdrawal or expiration.

(7) The applicant should list the name of any public retirement system in which he was or is a member in this or any other state.

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PERS (8) DATE OF ENROLLMENT—In the Public Employees' Retirement System a public employee whose employer is covered by civil service is considered to be a compulsory enrollment 4 months after his permanent appointment or within 4 months after he has secured an unclassified position. In those agencies which have not adopted civil service, the employee's compulsory enrollment date will be 4 months after his employment began. The employee must check the appropriate block in item 8 since he may enroll as of his permanent or regular appointment date or 4 months after that date. In the event this information is missing from the enrollment application, the employee's membership will automatically be established 4 months after his permanent or regular appointment date, and he will not be covered by any of the benefits attributable to membership in the retirement system until the date his membership is indeed established.

Optional enrollees will be enrolled as of the first day of the month following the date the enrollment application is received by this office.

In the Teachers' Pension and Annuity Fund a member's compulsory date of enrollment is the date the employee was hired by the school district. If the employee was hired on or after the 17th of the month, his enrollment date will be established as of the first of the month following the month in which he was hired, whereas an employee hired prior to the 17th of the month would be enrolled as of the first of the month in which he was hired.

(TPAF) (9) RECORD OF PUBLIC EMPLOYMENT—In the Teachers' Pension and Annuity Fund nonveteran applicants should list all former public school employment rendered within and outside the State of New Jersey. If any of this service was substitute or temporary, it should be so identified. If the applicant is currently employed by another school district, such employment should also be indicated. Veteran applicants should list the same information as nonveterans, plus any other former public employment in the State of New Jersey. No private or self-employment should be noted.

In the case of a veteran all public employment prior to January 1, 1955, must be certified by the former employer. If the applicant has been employed by only one district, this service is accepted if certified on the enrollment application. If the service was performed in any other public employment, then a Supplemental Statement of Service form must be attached to the application for enrollment. Credit for actual days worked on the basis of 20 days per month is granted for substitute service.

PERS (10) RECORD OF PUBLIC EMPLOYMENT ONLY—In the Public Employees' Retirement System nonveteran applicants should list all former public employment within and outside the State of New Jersey. If the applicant is currently employed by another public employer, such employment should also be indicated.

In the case of a veteran all public employment prior to January 1,

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1955, must be certified by the former employer. If the applicant has been employed by only one employer, this service is acceptable if certified on the enrollment application. If the service was performed in any other public employment, then a Supplemental Statement of Service form must be attached to the application for enrollment.

TPAF (8)—PERS (9) SUPPLEMENTAL ANNUITY PROGRAM—If he applicant is interested in the Supplemental Annuity Program, he should request the booklet from his personnel officer or payroll clerk.

TPAF (10)—PERS (11) DESIGNATION OF BENEFICIARY—This designation covers the Group Life Insurance provisions (if payable) and the return of accumulated deductions. A female beneficiary should be shown listing her given name; i.e., "Mary Smith," not "Mrs. John Smith." If more than one beneficiary is shown in this section, the combined benefits will be on a share and share alike, survivor or survivors basis. Payment of the return of contributions will be made by a lump sum. If other than lump sum payment of group insurance, or another division of the benefits is desired, the applicant should request the Pension Division to furnish him with the appropriate form. The information given in this item will appear as designation of beneficiary indicated on the insurance certificates.

DATE AND SIGNATURE OF APPLICANT—After the application has been completed, it must be signed in ink by the applicant using the full given name as shown in item 1. If a married woman, she should sign her own given name, maiden surname, and marriage surname; i.e., "Mary Smith Jones," not "Mrs. John Jones."

15.3 PART II, ENROLLMENT APPLICATION, TEACHERS' PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM—This certification of the employing agency is to be completed by the employer.

TPAF (1) POSITION—In the Teachers' Pension and Annuity Fund the school district should refer to item 2 on the back of the application for enrollment for a list of all titles covered by the fund. Particular attention should be given to item 2b. This instruction states that if the title of the applicant's position does not appear in the list of titles covered by the fund, a statement covering the duties of the position should be attached to the applicant's enrollment application.

PERS (1) PAYROLL TITLE—In the Public Employees' Retirement System the title of the position the employee is holding should be indicated in item 1.

(2) DATE EMPLOYMENT BEGAN—In the Teachers' Pension and Annuity Fund this is the date on which the applicant began. Regular, not substitute, service in the district should be listed.

In the Public Employees' Retirement System the date the employee was hired should be indicated.

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PERMANENT OR REGULAR APPOINTMENT DATE—This is the date of permanency established by civil service for employees covered by the merit system. Employees holding unclassified positions or hired by employers not covered by civil service would be considered permanent appointments on the date they commenced employment.

(3) CURRENT ANNUAL BASE SALARY, MONTHLY SALARY, 10- OR 12-MONTHS—In the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, the applicant's current annual base or contractual salary, exclusive of bonuses or overtime, should be listed. The current monthly salary should be shown as one-tenth or one-twelfth of the annual salary according to the method of payment.

The 10- or 12-months indication represents the manner in which the applicant is paid. A 10-month employee is presumed to earn one-tenth of his base salary in each of the months September to June inclusive. If an employee is paid on other than a 10- or 12-month basis, it must be reported to the Division and pension deductions computed on either a 10- or 12-month basis.

(4) NAME OF EMPLOYER—The full name of the employer must be indicated, including county of location.

(5) PART-TIME EMPLOYEE—Part-time employment should be indicated by a check for members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System.

(6) MEMBER EMPLOYED IN MORE THAN ONE DISTRICT—In the Teachers' Pension and Annuity Fund the employer must indicate whether the applicant is employed by more than one district and indicate the name of the district in part I of section 8 of the enrollment application. This information is requested in item 6 of the Public Employees' Retirement System enrollment application, and the applicant who is employed by more than one district must indicate the name of the district in part I of section 9 of the enrollment application.

TPAF (7) PAYROLL NUMBER AND SOCIAL SECURITY NUMBER—The payroll number for employees who are paid on a State payroll must be shown on the line indicated. The social security number is to be completed for all employees.

PERS (7) SOCIAL SECURITY NUMBER—The social security number is to be completed for all employees.

PERS (8) PAYROLL NUMBER—The payroll number for employees who are paid on a State payroll must be shown on the line indicated.

TPAF (8) CERTIFICATION OF SECRETARY—The signature of the secretary of the employing school district and the name of the school district and county in which it is located, together with the date of signature, must be indicated.

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PERS (9) CERTIFIED BY DEPARTMENT HEAD OR CERTIFYING OFFICER—The signature of all heads of the several State departments or certifying officers appointed by the county, municipality, school district, or public agency and the title of the certifying officer and county in which the employer is located together with the date of signature are required.

15.4 PART III, ENROLLMENT APPLICATION, TEACHERS' PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Part III will be completed by the Division of Pensions.

(1) INSURANCE CODE—This indicates the type of insurance coverage to which individual is entitled.

(2) CLASS—Class of membership is divided into two segments:

(a) T.P.A.F.—Class "A" applies to members who were enrolled before 1956 and who did not transfer their credit to Class "B" status.

(b) P.E.R.S.—Class "A" applies to some members who were enrolled before 1953 and who did not transfer their credit to Class "B" status.

(c) T.P.A.F. AND P.E.R.S.—Class "B," which offers one-sixth greater benefits, applies automatically to all veterans and all members enrolled since 1956 in the Teachers' Pension and Annuity Fund and since 1953 in the Public Employees' Retirement System.

Other than veterans all members enrolled before 1956 in the Teachers' Pension and Annuity Fund and some members enrolled prior to 1953 in the Public Employees' Retirement System had Class "A" membership. Some members agreed to transfer all of their credit to Class "B" while some have part of their credit as Class "A" and part as Class "B." Class "A" members can change to Class "B" credit for all of their service by agreeing to make additional contributions. In those instances where members did not change to Class "B," they are classified as "A/B" members and indicated in the item designated by "other."

(3) RATE—This is the full percent rate of contribution which the member will contribute to the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System. It cannot be changed without a certification from the Pension Division. As of January 1, 1967, the rate will be reduced by 2 percent in determining pension contributions. A 2 percent credit is granted on all base salary wages up to the maximum wage that is used for social security purposes and, therefore, any change in the social security maximum could alter the 2 percent credit for pension fund contributions. Unisex rates were established as of July 1, 1979.

In order to achieve a standard deduction for each payroll period, the total deduction should be divided by the minimum number of payroll periods within a quarter (such as monthly—3 per quarter; semimonthly

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—6; biweekly—6; and weekly—12). In the case of biweekly and weekly pay agencies reporting on a quarterly basis, no deduction should be taken for the funds in the seventh or thirteenth pay period of any quarter.

(4) ACCUMULATED BASE SALARY—This is salary received between the date of enrollment and the date that pension contributions are certified. However, accumulated salary will never include base wages received prior to the first of the year that pension contributions are certified to be deducted from the employee's wages. The proper accumulation is converted to the nearest dollar and will appear in column 6 of the first Quarterly Report on which the member appears as well as on the certification of pension contributions.

(5) AND (6) MONTHS OF SERVICE—These are the total months of service under Class "A" or Class "B" that the member had credited to his account in the retirement system. A member who transfers his credit to another State-administered retirement system is entitled to the same credit he had established in the former system.

PERS (7) FORCED L.E.O.—This section identifies unusual types of enrollment.

TPAF (7) PERS (8) CONTRIBUTION AGE—A pension rate of contribution is based on a member's nearest attained age at the time his membership is established.

TPAF (8) PERS (9) MONTHS OF PRIOR SERVICE—The Enrollment Section will indicate to the right of this line the total months of public service prior to January 1, 1955, to which a veteran is entitled. The total months of prior service will be indicated to the employee and employer under the "Prior Service" item shown on the "Certification of Payroll Deductions" form. The initials of the persons in the Enrollment Section who figured and checked the certification will be indicated.

TPAF (9) PERS (10) ENROLLMENT DATE—This will be the effective date of the member's enrollment in the State retirement system. If the employee began employment on or after the 17th of a month, he is enrolled as of the first of the following month. However, in the case of an optional enrollment, the employee is enrolled as of the first of the month in which the application is received in the office of the Division.

TPAF (10) PERS (11) INTERFUND TRANSFER DATE—This is the date on which the member had transferred his contributions from one State-administered pension plan to another.

TPAF (11) PERS (12) INSURANCE EFFECTIVE DATE—In the Public Employees' Retirement System the insurance effective date is the first of the month following the date the enrollment application is received provided the member has requested enrollment prior to his compulsory enrollment date. This date merely reflects the first date on which the individual is in benefit status for the insurance death benefits and is not meant to convey the basis upon which the benefits will be

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computed. (This is not applicable in the Teachers' Pension and Annuity Fund as all members must enroll as of the date their employment began.)

TPAF (12) PERS (13) PROOF OF AGE RECEIVED, REQUIRED —Some applicants are required to submit evidence of their date of birth. However, the employer should not delay forwarding the enrollment application if this material is not readily available.

15.5 CERTIFICATION OF PAYROLL DEDUCTIONS, DISTRIBUTION—Two copies of the Certification of Payroll Deductions are sent to the employer together with the employee's insurance certificate. One copy of the payroll deduction schedule is maintained by the employer, and a copy of the form is given to the employee with his insurance certificate.

15.6 CERTIFICATION OF PAYROLL DEDUCTIONS—The information which appears on the Certification of Payroll Deductions is as follows:

(1) ALL DEDUCTIONS BEGIN—This is the date that pension contributions begin to be deducted on base wages received for pension purposes. This date will always be the first of the month for quarterly reporting units or the beginning of a biweekly pay period for members of systems whose employees are paid by the State Centralized Payroll Unit.

(2) ACCUMULATED BASE SALARY—This is the salary paid from the effective date of enrollment to the date all deductions begin. However, accumulated salary will never include base wages received prior to the first of the year that pension contributions are certified to be deducted from the employee's wages.

(3) SALARY THIS QUARTER—Base salary paid to member from the date all deductions begin to the end of the quarter of certification.

(4) FULL PENSION RATE—This is the same as subsection (3) of section 15.4.

(5) PENSION DEDUCTION—This is the amount of pension payable by the member on salary paid from the date all deductions begin to the end of the quarter of certification.

(6) SUPPLEMENTAL VARIABLE ANNUITY—This is not used upon a member's enrollment in the retirement system. Upon the member's enrollment in the Supplemental Variable Annuity Program this item would be completed.

(7) CONTRIBUTORY INSURANCE EFFECTIVE DATE—The contributory death benefit at the applicable rate of base salary is computed for the first year of membership. If the member is covered for the contributory death benefit, the effective date of the insurance will be inserted in this item. The total premium which is due from the member on the first quarter of certification must be calculated by the employer. In calculating the premium payment the employer must deduct the applicable rate of base salary on all base wages paid from the effective

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date of insurance coverage to the end of the quarter that deductions were started. The employer must remit the total value of premiums calculated in one sum to the Division of Pensions when he submits his Quarterly Report of Contributions. If a contributory insurance effective date is not given, the employer should not take any deductions for contributory death benefits from the member.

(8) INSURABILITY REQUIRED—When a member has been certified for insurance, "no" will be indicated next to this item. In those instances where insurability is required, "yes" will follow this particular item, and the member will have to submit to a medical examination in order to be eligible for insurance coverage.

(9) DATE OF BIRTH—This is the birth date as established in the system from the enrollment application as certified by member and employer.

(10) DATE OF ENROLLMENT—This is the effective date of membership in the retirement system.

(11) MONTHS OF PRIOR SERVICE—This item will reflect the total months of prior credit granted a veteran for public employment rendered prior to January 1, 1955.

(12) ENROLLED AS—This item will be completed with the word "Veteran" or "Nonveteran." In addition the wording "Your request for additional service is being processed" will cover those situations where the member has requested the purchase of service which preceded his date of enrollment. The cost of this service will be determined after the member's enrollment schedule is effective, and pension deductions will be certified to the member as well as his employer for the service in question. Also, the statement "Late enrollment, employer liability is $, promptly remit payable to (*Name of retirement system*) C.R.F.," will appear on the Certification of Payroll Deductions when an employer has filed an enrollment application which cannot be certified within 1 year of the member's date of enrollment. In those cases where members have transferred their membership from Public Employees' Retirement System to Teachers' Pension and Annuity Fund, "Interfund transfer" will be shown on the Certification of Payroll Deductions.

(13) BACK DEDUCTION SCHEDULE—This section shows the number of payments and the amount per payment, as well as the total amount of pension deductions due which represents the time elapsing between the enrollment date and the date all deductions begin. The back deductions may be computed at the full rate less 2 percent. These amounts should be deducted by the payroll clerk and cannot be altered.

(14) ARREARS AND LOAN SCHEDULE—These schedules are not used on new enrollment certifications. However, back deduction schedules for members whose wages are being paid by the State Centralized Payroll Unit will be shown in the "Arrears" column of the certification.

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(15) TOTAL AMOUNT—This figure reflects the total resulting from computing the number of payments by the amount per payment.

15.7 ESTABLISHING VETERAN STATUS—Please see 12.4 et seq. for a definition of veteran status and the required proof of military service.

15.8 ESTABLISHING PUBLIC EMPLOYMENT—It is possible for veterans to establish credit in the Teachers' Pension and Annuity Fund for service prior to January 1, 1955, including service which was not necessarily teaching service but rather other public employment in New Jersey. In order to establish prior service the veteran must obtain a certification from the employer covering the period of employment. When such services are indicated on the enrollment application, the Enrollment Section will forward to the veteran a form by which he will obtain for the fund a certification of such public employment from the certifying officer of the employer involved.

15.9 ESTABLISHING PUBLIC SCHOOL EMPLOYMENT—On an enrollment application an employee may indicate public school service in this or any other State which is not recorded in the records of the fund under a previous membership. In the case of out-of-State service this service may be purchased by the member upon receipt of proper certification by the employing school district in such other State. Upon noting such service to be established, the Purchase Section will forward a form to the applicant by which he will obtain a certification of such public school service from the previous employer.

16.1 ENROLLMENT PROCEDURE, INCOMPLETE APPLICATION—There are several usual reasons why an enrollment application cannot be completed. A letter to this effect is forwarded to the employing district in order that the information be supplied by return mail. Such reasons are:

a. The birth date to be supplied by the employee is not completely given.

b. The application lacks a supplemental form involving veteran's prior service. This form is sent to the employer in order that he may have the veteran obtain a certification from the former employer.

c. The application is prepared on a form that is no longer in use by the system and must be returned for completion on a more current form.

d. The employer does not give an accurate record of salary to be paid; i.e., the monthly salary multiplied by the 10 or 12 months salary does not equal the annual salary shown.

e. The employee shows previous employment with the school district under which he is enrolling but does not indicate whether it was substitute service.

f. Beneficiary designations are not completed properly by the appli-

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cant. For example, the beneficiary's given name must be shown and not "Mrs. John Doe."

g. An applicant who indicates he is a veteran and fails to attach his discharge or release from active duty papers which indicate his date of induction and date of discharge from active military service.

h. The applicant or certifying agent fails to sign the enrollment application.

The employer must scrutinize the enrollment application for completeness and accuracy of the information contained thereon since incomplete or incorrect enrollment applications will delay a membership certification.

16.2 RATES OF CONTRIBUTION—The rates of contribution are normally determined by the rate applicable to the age at enrollment. In the case of a nonveteran, the nearest attained age at the date of enrollment is obtained by subtracting the birth date from the date of enrollment. The same thing is true of veterans unless free prior service credit has been allowed in which case a commuted rate will be used. In order to obtain the commuted age, the years and months of prior service granted will be subtracted from the date of enrollment and the birth date will be further subtracted from this date.

16.3 RATE CHART—PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND

CLASS B RATES 7/1/79

PERS				TPAF			
Age	Rate	Age	Rate	Age	Rate	Age	Rate
16	4.96%	38	6.24%	18	5.05%	39	6.51%
17	4.87	39	6.36	19	5.07	40	6.63
18	4.98	40	6.43	20	5.10	41	6.72
19	5.01	41	6.53	21	5.14	42	6.83
20	5.03	42	6.65	22	5.12	43	6.93
21	5.07	43	6.78	23	5.08	44	7.05
22	5.10	44	6.88	24	5.07	45	7.18
23	5.06	45	7.00	25	5.10	46	7.23
24	5.08	46	7.10	26	5.15	47	7.38
25	5.11	47	7.21	27	5.21	48	7.48
26	5.15	48	7.32	28	5.29	49	7.67
27	5.20	49	7.45	29	5.39	50	7.73
28	5.26	50	7.54	30	5.49	51	7.86
29	5.34	51	7.66	31	5.61	52	7.97
30	5.41	52	7.81	32	5.72	53	8.13
31	5.52	53	7.94	33	5.84	54	8.31
32	5.61	54	8.08	34	5.97	55	8.40
33	5.73	55	8.23	35	6.08	56	8.59
34	5.83	56	8.35	36	6.17	57	8.67
35	5.92	57	8.49	37	6.29	58	9.00
36	6.01	58	8.61	38	6.42	59	9.09
37	6.13	59	8.73				

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16.4 RATE CHART—LAW ENFORCEMENT OFFICERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Age at Entrance into Service	Rates of Contribution	Age at Entrance into Service	Rates of Contribution
20	5.67%	38	8.45%
21	5.77	39	8.57
22	5.88	40	8.67
23	6.00	41	8.79
24	6.12	42	8.90
25	6.25	43	9.01
26	6.40	44	9.12
27	6.56	45	9.21
28	6.72	46	9.30
29	6.89	47	9.39
30	7.07	48	9.48
31	7.26	49	9.56
32	7.45	50	9.63
33	7.64	51	9.71
34	7.82	52	9.79
35	8.00	53	9.85
36	8.17	54 and over	9.91
37	8.32		

16.5 MULTIPLE ENROLLEES—Several hundred members of the retirement systems are concurrently employed in more than one position and are enrolled in the retirement system in the several positions as "multiple enrollees." For example, a municipal treasurer who is also custodian of school monies of the coterminous school district is enrolled as an employee of both the municipality and the board of education.

Chapter 229, P.L. 1964, provided that a single account shall be established in the Public Employees' Retirement System for each person who is a member of the system regardless of the number of positions which he concurrently holds. Accordingly, a person who terminates one of several positions will not be permitted to retire or withdraw until he has terminated employment in all covered positions. On retirement the benefit will be based on the total service and salaries in the several positions; of course, no more than 1 year of service credit will be granted for a calendar year and only final average salary for nonveterans and final year's salary for veterans can affect the amount of the retirement benefit.

16.6 MULTIPLE ENROLLEES, CONTRIBUTIONS—When an employee enrolls initially in the retirement system on the basis of more than one position and such positions are with more than one employer, he is required to file enrollment applications from each locality. His rate of contribution, however, will be based on the earliest enrollment date which can be assigned. Likewise an employee who initially enrolls on the basis of public service with a particular employer and then takes an additional position with another employer covered by the retirement system will be required to file an additional enrollment application, but

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his rate of contribution will be based on the rate initially assigned when he was first enrolled in the system.

If the employee was initially required to establish proof of insurability and has not satisfied that requirement, he will continue to be subject to the same requirement upon any subsequent enrollment from another employer.

The only additional complication for employers of multiple enrollees involves the social security credit for those who are members of either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund. Pension contributions of these members are coordinated with social security so that the pension contribution is computed at the full rate less 2 percent of the base or contractual salary subject to the system and within the maximum wages subject to social security. In these cases the retirement system will certify the use of the social security credit by a single employer while all other employers will receive a certification requiring the deduction at the full pension rate. At the end of the year an audit will be performed by the Bureau of Contributions Accounting, and any overpayment which may have been made by the member during the year will be returned to him.

16.7 DUAL MEMBERSHIPS—There are a number of public employees who are members of more than one retirement system administered by the Division of Pensions on the basis of several positions covered by the respective systems. For example, a legislator is a State employee and therefore a member of the Public Employees' Retirement System while he also may be an educator and therefore a member of the Teachers' Pension and Annuity Fund. Unlike the multiple enrollee who is a member of one system, the dual member's contributions and benefits are established on the basis of the statutes pertaining to each system and are not related in any way to each other.

The contribution rates are established independently of one another; the employee may have been required to prove insurability for life insurance with one system, while he may be covered by insurance in the other if he was otherwise eligible for such coverage. If both programs are coordinated with Federal Social Security, his pension contributions are calculated without reference to the other system, and the full social security tax must be paid by both the employer and the employee during the calendar year on the basis of the separate positions and the separate employments. The employee can, of course, receive a refund of any overpayment of his share of the social security tax when he files his income tax return, but no refund is possible to the different employers. The only exception in this case is where the same entity pays the employer's share of the tax. This is true in the case of an individual who is a State employee and who is also a member of the Teachers' Pension and Annuity Fund since the State bears the employer's share of the cost in both cases.

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16.8 PROOF OF AGE REQUIRED—All members of the respective systems may be required to establish proof of age. A person may be requested to submit proof at the time of enrollment, and will be required to submit such proof of age before a period of 6 years has elapsed from the date of enrollment.

In the event proof of age has not been filed with the system before retirement, such proof must be filed before any retirement benefits may be disbursed.

16.9 PROOF OF AGE PROGRAM—Periodically the membership files of the several retirement systems will be examined to determine if proof of age is required for those public employees who have established a continuity of membership in the respective system. Requests for proof are prepared by Data Processing and forwarded to the Claims Section for mailing. The request for proof of one or more employees is forwarded to the employer for distribution to the individual employees, and it becomes the member's responsibility to file the proof directly with the Division of Pensions. In order to avoid the loss of valuable documents, the member is requested to file a copy of the request form with the proof so that the proof can be associated with his file in the retirement system. In the event no word is received from the member, a second notice will be directed again requesting proof and indicating that, in the absence of such proof, retirement and group insurance death benefits will be probably delayed since proof will be required at retirement or in the event of death.

If proof is received establishing the member's date of birth, it will be so recorded in the member's file as maintained by the Records Section and Data Processing. If no proof is received, although requested, this too will be so recorded and the proper administrative bureau notified in the event a claim for benefits is subsequently filed.

Changes in date of birth following the receipt of proofs of age may result in an adjustment of the member's rate, insurance status and even in his eligibility for participation in a particular retirement system.

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ENROLLMENT AND PURCHASES

TRANSFERS

17.1 INTRAFUND TRANSFERS—All members of State-administered retirement systems who change employment during the course of their membership, but upon such change of employers still hold a position covered by the same retirement system, are permitted to continue their membership. They merely transfer their account from one employer to another by means of completing the transfer application form.

17.2 ELIGIBILITY REQUIREMENTS—The employee requesting the transfer is immediately eligible to continue his membership in the retirement system with his new employer provided that he is holding a position which is covered by the same retirement system. They may not necessarily have to meet all of the requirements which would be prescribed for a new enrollee. For example, a member who was duly enrolled in the Public Employees' Retirement System on the basis of a permanent appointment may take a temporary position with a new employer; temporary employees would not normally be covered. Yet such a member taking such temporary position is permitted to immediately transfer his membership.

He will continue to enjoy the same rate of contribution that he was paying on the basis of his initial enrollment in the system and continue the contributory group life insurance and all extra deductions for the payment of back deductions, arrearages, and loans. Moreover, the transfer form allows for the accumulation of salary within the maximum subject to social security so that his pension contributions will receive full consideration of the social security applied against his pension payments for the entire calendar year. However, the payment of social security taxes by employer and employee is somewhat different between the two coordinated retirement programs as described below.

17.3 INTRAFUND TRANSFERS AND SOCIAL SECURITY TAXES—In the Public Employees' Retirement System the employee who transfers his membership to a new employer is considered, for social security purposes, a new employee, and his accumulation of social security taxes within the maximum wages subject to social security is renewed as if he had not been covered by social security as a result of his previous employment during that calendar year. As a result he will receive two or more W-2 forms at the end of the year and will, of course, file for any refund of his overpayment of his share of the social security

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tax if the total cash wages subject to social security during the year exceeds the maximum for social security. Such refund is available at the time of filing the income tax return. Of course, this involves an actual change of employers during the year. This would not apply where an intrafund transfer application is filed by an employee who moves from one State department to another since the State will continue to withhold social security taxes on the basis of all of the positions he has held during the year and no overpayment should result.

In the Teachers' Pension and Annuity Fund the matter is not as simple since the State bears the employer's share of the obligation for the social security tax. In order to avoid any overpayment by the State in cases where the member of the Teachers' Fund transfers from one school district to another during the course of the calendar year, a special procedure has been prescribed to avoid such overpayment of both employer and employee taxes. This necessitates a certification by the Pension Division so that the new employer is timely informed of the cash wages previously reported in the first part of the calendar year.

17.4 INTRAFUND TRANSFER FORM—In all State-administered retirement programs a transfer form must be filed by the new employer on the employee's behalf in order to establish pension contributions from the member's compensation in the new employing agency. As a result of such form the employer will receive a new Certification of Payroll Deductions which will indicate the accumulated base salary reported since the beginning of the calendar year, the pension rate attributable to the member's account and contributory insurance, if in effect, as well as any other extra deductions, such as back deductions, arrears, and loan payments. The same thing is true of any deductions for the Supplemental Variable Annuity Program.

The transfer problem in the Teachers' Pension and Annuity Fund is unique since in addition to all of the information cited above, which is to be reported to the new employer on the Certification of Payroll Deductions, the new employer also must be advised of total cash wages reported for social security during the calendar year. Since most teachers terminate at the end of the school year in June, transfer forms are normally received in June and July for certification when school begins in September. In order for deductions to begin in the first pay period in September, the certification from the Division of Pensions must be in the hands of the new employer before September. As a result, the timely filing of such transfer forms is imperative so that the cash wages reported for social security by the former employer in the first part of the year can be added to the certification to be forwarded to the new employer. There will be occasions where the transfer takes place at some time other than at the end of the school year or when the transfer application has not been filed in time for the September certification. In those instances the Pension Division may have to secure information concerning ac-

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cumulated base salary and wages reported for social security directly from the former employer in order to supply this information to the new employer.

To the extent that base wages have not reached the maximum subject to social security, the deduction taken by the new employer will be at the reduced pension rate or at the full pension rate, as the case may be. Since several thousand transfers are processed each year, the cooperation of every school district is vital to the success of the intrafund transfer procedure.

17.5 COMPLETION OF PART I OF TRANSFER APPLICATION BY EMPLOYER—The items contained in part I of the transfer form are self-explanatory. However, it is important for the employing agency to correctly complete each item requested on the form since the Enrollment Bureau will certify pension contributions on the basis of the information furnished.

17.6 COMPLETION OF PART II OF TRANSFER APPLICATION—From the information contained in part I of the transfer application as well as the member's file, the Pension Division will complete the data, if applicable, contained in part II as follows:

1. RATE—Pension rate will be assigned as previously established with the member's former employer.

2. ACCUMULATED BASE SALARY—This is the total salary accumulation from January 1 to the date the pension deductions are to begin with the new employer.

3. TOTAL WAGES—The combined value of base salary and extra compensation paid to the employee from January 1 to the date that pension contributions were last deducted from wages by his former employer is certified by the Division for members of the Teachers' Pension and Annuity Fund.

4. LOAN SINGLE PAYMENT AND BALANCE—The value of the loan single payment is determined in order that the new employer will be informed of the value of any loan deductions that are outstanding from the member's account at the time of transfer. Also, the balance of the loan outstanding is indicated.

5. ARREARS SINGLE PAYMENT AND BALANCE—The value of the arrears single payment is determined in order that the new employer will be informed of the value of any arrears deductions that are outstanding from the member's account at the time of transfer. Also, the balance of the arrears outstanding is indicated.

6. CONTRIBUTORY INSURANCE—A member who transfers and who is covered by the contributory insurance program will continue his additional insurance coverage upon transfer. This item is checked in order to notify the employer on the Certification of Payroll Deductions

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form that the member is covered under the contributory insurance program.

7. SUPPLEMENTAL ANNUITY—The member continues in the Supplemental Annuity Program upon transfer at the same percentage rate of contribution that was applicable prior to transfer, whereas a participant in the Tax-Sheltered Annuity Program would have his tax-sheltered salary reduction agreement terminated. He may enter into another salary reduction agreement with his new employer.

8. MONTHS OF PRIOR SERVICE—This will be completed only for members of the Public Employees' Retirement System who may be entitled to prior credit due to the transfer to a locality which adopted prior service credit for nonveteran employees.

9. TRANSFER DATE—This is the date that pension contributions were due in the retirement system and is determined on the basis of item 8 completed by the member's present employer in part I of the transfer application.

17.7 CERTIFICATION OF PAYROLL DEDUCTIONS TO NEW EMPLOYER—The employer receives an original and duplicate certification developed from the transfer application. The employer retains the original and gives the employee a duplicate copy of the certification. The certification contains all the necessary information for the employer to deduct the proper value of contributions due the retirement system.

17.8 INTRAFUND TRANSFER PROCEDURE, INCOMPLETE APPLICATION—There are one or two usual reasons why a transfer application cannot be completed. A letter to this effect is forwarded to the employer in order that the information be supplied by return mail. Such reasons are:

a. The signature of the certifying agent or the secretary of the board of education is missing.

b. The individual cannot be identified on the basis of the name as indicated on the transfer application as the name may be different from the one which the member may have been using in his former employment. Very often a teacher or other public employee will leave employment for a year or so during which she is married and then begin employment in another locality and properly file a transfer application. However, the use of her new name without an indication of her maiden surname or former name will make it impossible to associate her transfer application with her membership account in the retirement system.

18.1 INTERFUND TRANSFERS—The statutes permit any member of a contributory pension fund administered by the State to transfer his membership to another retirement system, likewise administered by the State, if there is a change in his position which would prohibit his

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continued membership in the first pension fund. Such interfund transfers, however, are limited to programs administered by the State since if such programs involve only State employees, the obligations of the State are the same with respect to the employees regardless of the pension fund in which they hold membership. Moreover, where the system involves employees of the State's political subdivisions, such systems are on a fully funded reserve basis, and the reserves are present to be transferred from one system to another in order to provide the second system with the wherewithal to establish the transferring employee's service credits. Finally, the problem pertaining to the adjustment of member contributions, service credits, and the like is minimal since all of these retirement programs are administered by the Division of Pensions.

18.2 **ELIGIBILITY REQUIREMENTS**—The employee requesting the transfer from one fund to another must meet the eligibility requirements for the second retirement program on the basis of a change in his position. For example, a member of the Teachers' Pension and Annuity Fund who secures a position which is covered by the Public Employees' Retirement System will not be eligible to transfer his contributions to the second State system if he is holding a temporary position, since temporary employees are not covered by the Public Employees' Retirement System.

18.3 **PROCEDURAL ASPECTS FOR INTERFUND TRANSFERS**—There are two forms which must be filed before an interfund transfer can be effected; they are the enrollment application in the system to which the employee is transferring and an interfund transfer form which must be completed by the employee and his former employer.

A member who transfers his account to another State-administered retirement program would normally receive membership credit for all service rendered in the former system. Naturally, such years of credit will be subject to the benefit formula of the second system.

In addition, the member is normally assured of a rate of pension contribution based on his age at the time he established membership in the former system. For those interfund transfers involving the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, the rate will normally be similar. Likewise, both of these programs provide for an identical coordination of pension contributions and social security taxes. However, the rate structure of other retirement programs is normally quite different since they may or may not be coordinated with Federal Social Security and the contribution rate may be based on a different benefit schedule.

18.4 **TRANSFER OF MEMBER'S PENSION CONTRIBUTIONS**—The general statute provides the member must notify the pension fund from which he is transferring of his intention to enter the other retire-

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ment program. He will be required, however, to deposit in the second system the total amount of his contributions withdrawn from the first fund in order to have the service credits transferred. Such transfer application is processed initially by the Claims Section since the value of the member's contributions must be reestablished in his new account. In addition to the monetary transaction a detailed statement of the member's former account pertaining to his membership credit, group life insurance coverage, veteran status, and prior service credit is completed by the Claims Section for the information of the Enrollment and Adjustment Sections.

A member who transfers his account must furnish satisfactory evidence of insurability if at the time of transfer to the new system he was not covered by the insurance benefits of the former system.

18.5 OUTSTANDING LOAN AND ARREARS OBLIGATIONS— The detailed statement prepared by the Claims Section includes information related to the full value of the member's outstanding loan or arrears obligations. The statement is transmitted to the Loan and Adjustment Sections since these sections will establish the outstanding obligations in the member's new account and certify to the employer those deductions which must be taken from the member's salary in addition to the pension and any insurance contributions which are certified upon the member's enrollment in the second system.

18.6 TRANSFER OF RESERVES—The actual transfer of reserves by the State-administered retirement programs is held to a minimum since in most cases the State maintains these systems for State employees where the State pays the employer's obligations and, therefore, such transfers are unnecessary since the State's obligation will continue regardless of the system in which the member participates. However, in some cases where employees transfer between the State and its political subdivisions or in the case of transfers between systems administered by the State but involving employees of the State's political subdivisions, actual monetary transfers are prescribed. Normally, the respective actuaries of the two systems will value the reserves accrued for such employee in both systems. If the reserves which have been accumulated in the first system are less than those required in the second, the full reserve will be transferred. If the reserves provided for in the first system are more than those required in the second system, only the amount required to establish the credit in the second system is transferred.

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ENROLLMENT AND PURCHASES

LEAVES OF ABSENCE

19. LEAVES OF ABSENCE—This discussion is divided into four areas involving approved leaves of absence. The first two deal with military leaves as distinguished from the final two portions which deal with leaves for illness and leaves for all other purposes.

In all of the comments pertaining to leaves of absence contained in this section of the manual as well as in any of the literature describing the State's employee benefit programs, it is assumed that the leave of absence or the extension of an original leave is one which was granted by the employer at the employee's request and approved by the governing body of the public agency before the leave or the extension began. Occasionally an individual absents himself from duty without prior formal approval of the leave, and only when he is interested in purchasing this service or in the event of his disability or death, does the question arise as to whether or not this period was an approved leave of absence. It must be clear that leaves of absences cannot be granted on a retroactive basis in order to satisfy the requirements of the statute in the payment of a claim or for purposes of purchasing such leaves towards establishing a larger retirement allowance. Such retroactive granting of the leave constitutes selection against the retirement system and against all participating members and employers and therefore cannot be honored.

Employees who have applied for and are receiving periodic Workers' Compensation benefits are not considered as individuals on leaves of absence during the period in which such monies are paid. Please see section 59.

19.1 MILITARY LEAVES OF ABSENCES: GENERAL COMMENTS—The general statutes are designed to protect the employee who enters the military service during the periods described in 12.5 so that all of his rights to compensation and pensions are continued as if his public service had not been interrupted. As August 1, 1974, is the terminal date of the Viet Nam Conflict, employers are not liable for an employee's pension contribution even if they are willing to pay such contribution, nor will any credit be established for the employee who enters military service subsequent to that date.

The employer is required to make contributions that the member would have made to the pension fund had he not entered the military service and applied for military leave, providing the employee's date of

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entry into military service would qualify him as a veteran under the statutory provision governing the several retirement systems.

However, the employee cannot receive credit in the retirement system for military service rendered prior to his entrance into public employment in New Jersey. The Division of Pensions has been advised by the Internal Revenue Service as to the taxability of the employer's contributions to the retirement system on behalf of an employee who is on military leave; it was held that the contributions paid by the employer does not result in taxable income to the employee, and it is not taxable until it is distributed and made available to the employee.

The person in the military service, however, is ineligible for retirement until the termination of the military leave of absence and his separation from the military service. Thus, the employee must return to public employment in New Jersey in order to qualify for retirement. In fact, where an individual has been honorably discharged from the military service and has not resumed the public office he previously held from which he was granted a military leave during which period the employer has made his pension contributions, payments by the employer should continue up to a period of 3 months from the date of discharge. No payments are to continue beyond such period and should halt upon his resignation or separation from public employment if it can be concluded that he has abandoned his public employment.

It is clear that the intent of the general statutes is to provide a leave of absence in order to protect the public employees who are performing military service during times of national crisis. However, no such protection is intended for those who voluntarily reenter or continue on a career basis since at that time it must be deemed that they have abandoned the public service for the military service. Abandonment is a question of fact to be determined by the agency concerned after an examination of the particular circumstances present in each case. Generally, abandonment may be inferred from voluntary continuance or resumption of a military career beyond the termination date of any initial period of service, whether or not that original service was incurred voluntarily or by obligation.

Since the employee must return to public employment in New Jersey in order to be eligible for a pension, he cannot retire while he is still in the military service even though he might otherwise meet the age and service requirements.

The statutes permit the member to withdraw the contributions made by the employer during military leave but only if the employee is returned to the payroll and contributes to the system for a period of 90 days. The employee does not have to return to the particular employer who is making such contributions; however, it is clear that the employee must return to public employment in New Jersey and make contributions to the same retirement system.

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Finally, special veteran's benefits are payable by the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund if the veteran member meets both the age and service requirements. However, the veteran must remain in active public service and meet both the service and age qualifications in order to be eligible for the special veteran's benefits. The special half pay veteran's benefit cannot be deferred even if the individual has the required years of service. If the veteran member is on leave of absence without pay, he will not be able to qualify for the special veteran's benefit since he must be in compensated, active public service when he meets both the age and service requirements.

19.2 MILITARY LEAVES OF ABSENCE, TYPES—When a State employee is granted an approved leave of absence for military service, there are distinct pension implications. Below are specified such implications as they apply to the different types of military leave and particularly as they apply to State employee members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. However, they are likewise applicable to members of the Police and Firemen's Retirement System, Consolidated Police and Firemen's Pension Fund, State Police Retirement System, Alternate Benefit Programs, Prison Officers' Pension Fund, and Judicial Retirement System.

There are three types of military leave which are discussed in detail below:

(a) Military leave of absence with full pay—Annual active duty for training.

(b) Military leave of absence without pay.

(c) Active duty for training for 3 to 6 months—The amendment to Reserve Forces Act of 1955, 50 USCA 1013(c), C. 655, provides that persons may enlist in a special enlistment program to aid the strength of the ready reserve for an initial period of active duty for training of not less than 3 months or more than 6 months.

When a State employee is granted a military leave of absence, his personnel officer should promptly file a copy of the Civil Service Form No. 21, covering the leave of absence, with the Division of Pensions. It should clearly indicate the specific type of military leave the employee was granted and the date the leave began.

When an employee of a local employer is granted a military leave of absence, his personnel officer, the secretary of the board of education, or the certifying officer of the public employer should promptly file a copy of the resolution granting the leave of absence with the Division of Pensions. It should also clearly indicate the information noted above.

19.3 MILITARY LEAVE OF ABSENCE WITH FULL PAY, ANNUAL ACTIVE DUTY FOR TRAINING—Any member of the U.S. Armed Forces Reserves or National Guard components who is granted a

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military leave of absence with pay to engage in annual active duty for training and who continues on the State payroll at full pay during the leave of absence will be considered as continuing in active employment for pension, social security, group life insurance, Supplemental Annuity, and the State Health Benefits Programs.

19.4 MILITARY LEAVE OF ABSENCE WITHOUT PAY:

19.41 PENSION COVERAGE—N.J.S.A. 38:23-6 provides that the employer must pay to the retirement system the full employee pension contribution based on the amount of compensation that the employee received prior to his entry into military service. The pension contribution is calculated at the member's full pension rate with no reduction for social security. Payments which have been scheduled for arrears, back deductions, or loans will be rescheduled at the termination of the military leave of absence.

19.42 NONCONTRIBUTORY LIFE INSURANCE—Noncontributory insurance coverage terminates 93 days after the military leave of absence begins. During the 93-day period (plus the 31-day grace period) the employee may convert his coverage to an individual policy issued by the carrier by contacting the local agent of the carrier. If the member does not convert to an individual policy, noncontributory insurance coverage will resume when he returns to the payroll after the military leave of absence has terminated.

19.43 CONTRIBUTORY LIFE INSURANCE—The employee may continue contributory insurance coverage for only the first 93 days of the military leave of absence by making personal remittances of the premium to the retirement system. The premium, a specific percentage of salary, must be remitted monthly, in advance. During the 93-day period (plus the 31-day grace period) the member may convert his coverage to an individual policy issued by the carrier. If he does not convert to an individual policy, contributory insurance coverage will resume when he returns to the payroll.

19.44 SOCIAL SECURITY TAX—As the employee is receiving no wages from the employer during the military leave of absence, no social security tax liability is incurred.

19.45 SUPPLEMENTAL VARIABLE ANNUITY—Payments will terminate pending the employee's return to the payroll.

19.46 STATE HEALTH BENEFITS—The coverage will resume when the employee returns to the payroll after the military leave of absence has terminated.

19.47 PENSION REPORTING—When an employee of a local employer begins a "Military leave of absence without pay," it should be so indicated in the "Remarks" column of the Quarterly Report of Contribu-

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tions. In subsequent reports an "M" will be shown in column 11, the pension will be calculated at the full rate, and the pension contribution should be paid by the employer and remitted with the report of contributions. Upon the employee's return to active service, the date he resumed active employment must be indicated in the "Remarks" column of the Quarterly Report of Contributions.

19.5 ACTIVE DUTY FOR TRAINING FOR A PERIOD OF 3 TO 6 MONTHS—The Attorney General has ruled that employers are not required to make pension contributions for employees who are on a military leave of absence for "Active duty for training" which is currently for a period of not less than 3 months or more than 6 months. The member will receive no pension credit for the period of the leave of absence because no contributions have been remitted on his behalf.

Noncontributory insurance coverage terminates 93 days after the leave of absence began, but coverage will resume when the member returns to active employment.

Contributory insurance coverage may be continued for the first 93 days of the leave of absence. If the member wishes to continue such coverage for the 93-day period, he should make personal remittances of insurance premiums directly to the retirement system monthly, in advance. Contributory insurance coverage will resume on return to active employment.

Payments which have been scheduled on arrears, back deductions, or loans may be rescheduled at the termination of the leave, while contributions to the Supplemental Annuity and State Health Benefits Programs will be resumed on return to active employment.

The local employer should enter in the "Remarks" column of the Quarterly Report of Contributions "Active duty for training 3-6 months —began (date)." Neither pension nor contributory insurance premiums should be remitted by the employer during a military leave of absence for this type of active duty for training. At the termination of the leave the employer should reenter the member's name on the report of contributions and resume deductions for pension and also for contributory insurance if the member had such coverage when the leave began.

19.6 LEAVES OF ABSENCE FOR PERSONAL ILLNESS—When a public employee is granted an approved leave of absence for personal illness, there are distinct pension implications. Below are specified such implications as they apply to members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. However, they are generally applicable to all State-administered retirement systems.

When an employee files and receives an award for periodic Workers' Compensation benefits, he is not considered to be on a leave of absence for illness or for any other reason. This is true even if the individual is

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paid cash wages supplementing any award of Workers' Compensation payments. It may be that prior to the filing and award of a claim under Workers' Compensation, the individual was granted a leave of absence, and during such approved leave, his pension status is that, as described below, of an employee on a leave of absence for illness or any other purpose, with or without pay. However, once the award is made, his status is altered. For a discussion of the pension implications of a member of the State-administered retirement systems who is receiving periodic benefits under Workers' Compensation, please see sections 59 and 62.26.

19.61 LEAVES OF ABSENCE FOR ILLNESS, WITH PAY—The employee is paid cash wages which are sufficient to meet the cost of pension, contributory life insurance, and social security taxes. In the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund, the employee will be considered as continuing in active employment beyond 6 months provided he is receiving 50 percent or more of his former base or contractual salary. If the employee is receiving less than 50 percent of the base or contractual salary at the time the leave began for more than a 6-month period, he can no longer be considered as on leave with pay and his status will then revert to that of an employee on leave of absence for illness without pay.

If cash wages are sufficient, deductions should likewise be made for the Supplemental Variable Annuity Program, or they will be resumed on return from the leave. However, if the employee is participating subject to a salary reduction agreement for the purchase of a tax-sheltered annuity, the reduction must be applied to the actual cash wages paid rather than to the employee's base salary received prior to the leave, since such cash wages will be less than the former base salary.

If the cash received is 50 percent or more of the employee's normal compensation, or if the employee is performing on a basis equivalent to 20 hours per week for employees of local employers or 35 hours per week for State employees, deductions should likewise be taken for the State Health Benefits Program, or they will be resumed on return from the leave. If either test cannot be met by an employee on leave, he may continue coverage for the first 9 months of the leave by making personal remittance of the total premium to his employer. In the case of State coverage, the State will pay the premiums to continue a State employee's coverage during the first 3 months of the leave, and coverage can be continued for an additional 9 months provided the employee prepays the total premium for such additional coverage. The total premium will include the cost for employee and dependent charges. The premium must be remitted on a quarterly basis in advance (the premium for 6 or 7 biweekly pay periods, depending on the number of pay periods in the quarter in the case of State employees paid by the Centralized Payroll Unit). The coverage will resume when he returns to the payroll after the leave has terminated. Also, see section 62.25.

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19.7 LEAVES OF ABSENCE FOR PERSONAL ILLNESS, WITHOUT PAY:

19.71 PENSION CONTRIBUTIONS—The member will receive no pension credit for the period of the leave of absence because no contribution should be remitted on his behalf. In the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund, the member will have the opportunity to purchase leaves of absence for a) less than 3 months, and b) a maximum of 2 years if the leave was due to the member's personal illness or maternity. However, the member must contact the Division and request the purchase of the leave within 1 year following his return to active employment. The purchase of service may be paid for in a lump sum or scheduled as extra payroll deductions.

19.72 EXTRA PENSION DEDUCTIONS—Payments which have been scheduled on arrears, back deductions, or loans will be rescheduled at the termination of the leave of absence.

19.73 NONCONTRIBUTORY AND CONTRIBUTORY LIFE INSURANCE—Noncontributory insurance coverage will continue during a period of an approved leave of absence for personal illness of up to 2 years or for 1 year in the case of a leave due to the member's maternity.

Contributory insurance coverage will continue during a period of an approved leave of absence for personal illness of up to 2 years or for 1 year in the case of a leave due to maternity. No contributions are prescribed.

19.74 SOCIAL SECURITY TAX—As the employee is receiving no cash wages, there is no social security tax liability.

19.75 SUPPLEMENTAL VARIABLE ANNUITY—Payments will terminate pending the employee's return to the payroll.

19.76 STATE HEALTH BENEFITS—Deductions will be resumed on return from the leave. However, the employee of a local employer may continue coverage for the first 9 months of the leave by making personal remittance of the total premium to his employer. (State employees will have the premiums paid for by the State for the first 3 months of their sick leave and may continue coverage for an additional 9 months by prepaying the required premiums.) The total will include the cost for employee and dependent charges. The total premium paid for a State employee or an employee of a local employer must be remitted on a quarterly basis in advance (the premium for 6 or 7 biweekly pay periods, depending on the number of pay periods in the quarter in the case of State employees paid by the Centralized Payroll Unit). The coverage will resume when he returns to the payroll after the leave has terminated.

19.77 PENSION REPORTING—The local employer should indicate in the "Remarks" column of the Quarterly Report, "Sick leave of absence—began (date)." Both State and local government employers are required

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to file a statement of the approved leave of absence for illness or maternity with the retirement system, stipulating the exact period of such leave.

19.8 LEAVES OF ABSENCE FOR ALL OTHER PURPOSES—When a public employee is granted an approved leave of absence for reasons other than illness, maternity, or military service, there are distinct pension implications. Below are specified such implications as they apply to members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. However, they are generally applicable to members of all State-administered retirement systems.

19.81 LEAVE OF ABSENCE FOR ALL OTHER PURPOSES, WITH PAY—The employee is paid cash wages which are sufficient to meet the cost of pension, contributory life insurance, and social security taxes. The employee will normally be considered as continuing in active employment for all purposes in the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund for a period of 6 months. Beyond that period the member can no longer continue to be treated as an active employee unless he is receiving 50 percent or more of the base or contractual salary at the time the leave begins.

If cash wages are sufficient, deductions should likewise be made for the Supplemental Variable Annuity Program or they will be resumed on return from the leave. However, if the employee is participating subject to a salary reduction agreement for the purchase of a tax-sheltered annuity, the reduction must be applied to actual cash wages paid rather than to the employee's base salary received prior to the leave, since such cash wages will be less than the former base salary.

If the cash received is 50 percent or more of the employee's normal compensation, or if the employee is performing on a basis equivalent to 20 hours per week for employees of local employers or 35 hours per week for State employees, deductions should likewise be made for the State Health Benefits Program, or they will be resumed on return from the leave. If either test cannot be met by an employee on leave, he may continue coverage for the first 9 months of the leave by making personal remittance of the total premium to his employer. The total premium will include the cost for employee and dependent charges. The premium must be remitted on a quarterly basis in advance (the premium for 6 or 7 biweekly pay periods, depending on the number of pay periods in the quarter in the case of State employees paid by the Centralized Payroll Unit). The coverage will resume when he returns to the payroll after the leave has terminated.

19.82 LEAVES OF ABSENCE FOR ALL OTHER PURPOSES, WITHOUT PAY:

19.83 PENSION CONTRIBUTIONS—A member will receive no pension credit for the period of the leave of absence without pay because no

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contributions should be remitted on his behalf. The member will have an opportunity to purchase credit, within the 1-year period following his return to active employment, for a leave of absence for a) less than 3 months and b) personal illness or maternity for a maximum period of 2 years.

19.84 EXTRA PENSION DEDUCTIONS—Payments which have been scheduled on arrears, back deductions, or loans will be rescheduled at the termination of the leave of absence.

19.85 NONCONTRIBUTORY AND CONTRIBUTORY LIFE INSURANCE—In the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, noncontributory and contributory group life insurance coverage may continue for a maximum period of 1 year if the leave is for a) fulfilling a residency requirement for an advanced degree, b) a full-time student at an institution of higher education, or c) 93 days for any other reason. Also, a member's group life insurance coverages may be continued while he is receiving periodic benefits under Workers' Compensation or similar laws, as well as for the time in which the member's claim for disability retirement benefits is being processed provided the claim was filed within 30 days following the member's termination of active service.

19.86 SOCIAL SECURITY TAX—As the employee is receiving no cash wages, there is no social security tax liability.

19.87 SUPPLEMENTAL VARIABLE ANNUITY—Payments will terminate pending the employee's return to the payroll.

19.88 STATE HEALTH BENEFITS—Deductions will be resumed on return from the leave. However, the employee may continue coverage for the first 9 months of the leave by making personal remittance of the total premium to his employer. The total will include the cost for employee and dependent charges. The premium must be remitted on a quarterly basis in advance (the premium for 6 or 7 biweekly pay periods in the case of State employees paid by the Centralized Payroll Unit). The coverage will resume when he returns to the payroll.

19.89 PENSION REPORTING—The local employer should indicate in the "Remarks" column of the Quarterly Report, "Leave of absence—began (date)." Both the State and local government employer are required to file a statement of the approved leave of absence with the retirement system stipulating the exact period of such leave.

19.9 LEAVES OF ABSENCE AND STATE HEALTH BENEFITS: TERMINATION AND RESUMPTION OF COVERAGE—The beginning date for all leaves of absence is the first of the biweekly pay period or month following the pay period or month in which the leave

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began. At the end of the 9-month leave period (9 or 12 months for State employees), the employee's and his covered dependents' participation in the program will be terminated. However, upon receipt of a termination notice, the carriers of the basic hospitalization and medical-surgical coverage, New Jersey's Blue Cross and Blue Shield plans are obligated to offer a different payment plan to him for himself and his dependents. Likewise, when he returns from the leave, his coverage will be resumed automatically and the direct payment obligation will terminate. With respect to the major medical program, if any disability or illness was incurred during the period in which he was covered before or during the period of the leave for which contributions were made by his employer or by him to his employer, all eligible charges, subject to the provisions of the contract, attributable to such illness or disability, will be covered up to the end of the calendar year following the year in which the disability or illness took place.

19.91 LEAVES OF ABSENCE AND SUSPENSIONS OR INDICTMENTS—An employee who is off the payroll under departmental charges or indicted for a crime of moral turpitude is not considered to be on leave of absence, but rather his membership in the retirement system is considered in suspense pending a decision on such charges or indictment. If the dismissal of the charges or a judgment that the employee was not guilty is rendered, then provision is normally made for the payment of back wages. Upon payment of such back wages, the individual's pension credit and insurance status is restored as it would have been if such charges or indictment had not been made.

If the employee is found guilty of a crime of moral turpitude and convicted, then applications for retirement would have to be denied since the retirement statutes require that benefits be paid on the basis of honorable service only. Even a subsequent pardon does not alter the decision that no honorable service was performed, and therefore benefits will continue to be denied.

Where a pension has already been granted and the individual is indicted, unless action is taken to review the original pension award, the payment of the pension may be continued pending the trial for the indictment of the act which may or may not have had any connection with the position formerly held. The courts have held that each pension board or commission has the right to review any previous award, and it would certainly be probably incumbent upon any board to do so if any pensioner is found guilty of a crime involving moral turpitude. Of course, if the pension is to be suspended or terminated, the former employee who is involved will be given a full opportunity for a hearing on the matter. However, the pension cannot be paid to any person who is confined in a penal institution as a result of a conviction of a crime involving moral turpitude. NJSA 43:1-2 does not prevent the payment of the pension for the sole benefit of parents, wives, or minor children if the pension fund

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determines that the pension is necessary for their maintenance during the period in which the pensioner is confined.

An employee who has been suspended cannot apply for a refund of his contributions to the retirement system since his status has not been clarified. However, where the employee decides not to appeal his suspension or dismissal, or pleads non vulte or nolo contendre and resigns his position, or if he is indeed found guilty following an indictment, he may then receive a refund of his contributions to the retirement system.

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ENROLLMENT AND PURCHASES

BENEFICIARY DESIGNATIONS

20. THE BENEFICIARY DESIGNATION SECTION—The Beneficiary Designation Section is responsible for the review of all beneficiary designations by members or retirants in the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, Judicial, Police and Firemen's and State Police Retirement Systems, and the Alternate Benefit Programs. As a result of changes in beneficiary designation the section is responsible for the preparation of riders to the original group insurance certificates as they may have been issued by Data Processing and the Records Section. Where a special endorsement is required, the information is forwarded to the carrier for the preparation of such endorsement, and upon receipt of the material from the carrier the Beneficiary Designation Section will forward such special endorsements to the member.

The section reviews all enrollment applications filed by members of the several systems to determine if the designation of beneficiary on the application is a proper one. All correspondence and the obtainment of the necessary change in designation pertaining to such enrollments are processed by this section. The result is the issuance of an insurance certificate.

The section is also responsible for notifying applicants of the several systems who are required to establish insurability for group life insurance.

20.1 GROUP INSURANCE, RIDERS—Under the group life insurance programs the section is responsible for the preparation of all riders to the original certificates. Unless a special endorsement is required, the rider is prepared by this section. The rider contains the following information:

a. Member's name.

b. Membership number.

c. Beneficiary's or beneficiaries' name and relationship.

d. Date.

Such changes are normally prepared upon the receipt of a Change of Beneficiary form.

20.2 GROUP INSURANCE, SPECIAL RIDERS—If the Change of Beneficiary forms require special wording in the completion of the rider, the Beneficiary Designation Section will mail the request to the insurance carrier, together with a copy of the member's beneficiary change form.

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20.3 LOST GROUP INSURANCE CERTIFICATE—A member may advise the Beneficiary Designation Section that he has lost or does not possess an insurance certificate; a form of lost certificate statement is then mailed to the member for his completion and return to the section. A new certificate will then be issued.

20.4 DESIGNATION OF BENEFICIARY—All beneficiary forms filed by active or retired members of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, the State Police Retirement System, the Alternate Benefit Programs, the Judicial Retirement System, and the Supplemental Annuity Collective Trust are processed by the Beneficiary Designation Section.

Every form received is screened for validity and completeness. If not complete, or if the proper forms have not been submitted, a letter advising the member of the necessary requirements is sent.

When a member has filed the beneficiary form in duplicate, the second copy is returned to him stamped by the Beneficiary Designation Section so that he is advised that the original has been received and filed.

When a notice of change of name is received, beneficiary forms are mailed to the member in the event that he may wish to make a change in his nomination.

There are actually two designation of beneficiary forms in use. The first is the more simplified version which calls for the designation of but one beneficiary either as primary or contingent for the receipt of all benefits, including group insurance as well as the return of the member's accumulated deductions. This particular beneficiary form provides that payment will be made in a lump sum. If more than one person is named as primary or contingent beneficiary, it is understood that the total benefit will be paid on a share and share alike, survivor or survivors basis.

However, while the return of a member's contributions is always payable in a lump sum, if payment of the insurance benefits is to be made in other than lump sum, and if there are different beneficiaries as well as different methods of payment, a more detailed version of the Designation of Beneficiary form is required. On this latter form specific primary and contingent beneficiaries can be denoted for both the insurance as well as the return of accumulated deductions. Moreover, benefits are payable as the member sees fit so that he has the selection of a lump sum, monthly life annuity, or monthly annuity for a certain period of years. The member must understand that if he selects a monthly life annuity, the payments will be based on the age of the beneficiary at the time of the member's death. In most of the systems no beneficiary shall be entitled to receive a monthly allowance unless such allowance is at least $25 per month.

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20.5 DESIGNATION OF BENEFICIARY FORM, COMPLETION—The forms applicable to the respective systems are used for the purpose of nominating a beneficiary for benefits payable if death occurs prior to retirement and while the employee is still an active member of the retirement program. If these forms do not provide for the types of group insurance distribution that the member desires, he may state the desired arrangement in a letter for consideration by the carrier. On the top of the form he will identify himself and his employer.

Part I pertains to the group life insurance whereas part II pertains to the return of accumulated deductions, if applicable. As there are generally two benefits in case of death before retirement, group insurance and the return of the member's contributions, the member may elect primary and contingent beneficiaries for each of the benefits that are payable. The form requires notarization and must be filed in duplicate. Naturally, each designation supersedes all prior designations of beneficiaries.

20.6 DESIGNATION OF BENEFICIARY FORM, BENEFICIARY—A member may nominate any person, persons, institutions, trust, his estate, etc., as primary or contingent beneficiary. If multiple primary or contingent beneficiaries are named, the distribution will be on the basis of share and share alike, survivor or survivors, unless expressed in percentages. Definite sums should not be indicated since the amount of insurance changes with every change in the member's salary.

20.7 DESIGNATION OF BENEFICIARY FORM, PAYMENT—The death benefits may be paid in one lump sum, in monthly installments over a certain number of years, or as an annuity payable for the life of the beneficiary. Information concerning other modes of settlement provided by the carrier can be obtained by request. In most instances it will be advisable for a member to indicate lump sum payment; this permits the beneficiary to elect the manner of payment to suit the needs of such beneficiary at the time of the member's death. If the member elects other than a lump sum payment, the benefit will be paid accordingly.

If the member fails to designate a method of payment, a lump sum payment will be made. If a member designates multiple benefits and does not designate the distribution to be made, payment will be made in equal shares. If no beneficiary designation is in effect at the time of the member's death, payment will be made to the member's estate.

20.8 RETIRANT'S DESIGNATION OF BENEFICIARY—Once an individual has retired, he may change the designation of his beneficiary for the payment of the balance of his pension reserve if he had elected option 1, or the beneficiary he originally elected to receive the insurance death benefit payable in case of death after retirement.

After the effective date, the beneficiary named under options 2, 3,

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and 4, cannot be changed as far as the survivorship allowance is concerned. However, if the named beneficiary under these options predeceases the retirant, a new beneficiary should be named for all other amounts due or to become due upon death. If the chance involves the insurance death benefit, a rider to this effect will be forwarded to the retirant.

20.9 RETIRANT'S DESIGNATION OF BENEFICIARY FORM, COMPLETION—The top portion identifies the retirant who in part 1 will designate the beneficiary to receive all benefits payable upon his death. Part II may be used here if group insurance benefits are payable. It is to be understood that part II is to be used only if another beneficiary is to be designated to receive the insurance benefits as distinguished from the beneficiary who is to receive all other monies. If acknowledgement of the change in the beneficiary is desired, the form must be filed in duplicate. The form requires notarization.

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ENROLLMENT AND PURCHASES

PURCHASES

21. THE PURCHASE SECTION—The Purchase Section is responsible for processing requests to establish additional retirement credit received from members of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System. Another function of the section is to compute and certify the cost for previous service rendered by those members of the systems whose applications are filed after the time of their compulsory enrollment.

21.1 ELIGIBILITY—The privilege to purchase additional service credit is available only to those members who are in active employment status and who are contributing regularly to their respective retirement systems.

22. TYPES OF PURCHASE—The following types of service may be purchased at the option of a member:

22.1 OUT-OF-STATE—Up to 10 years of out-of-state public employment, provided the member is not receiving or eligible to receive a retirement benefit from any public pension fund for such service, and if the service meets the following requirements:

Public Employees' Retirement System members are limited to public employment rendered for any State, county, municipality, school district, or public agency.

Teachers' Pension and Annuity Fund members can purchase only regular public school teaching service which meets the definition in New Jersey statutes as service rendered in a public school administered under the order and superintendence, and wholly or partly at the expense of, a State board of education, local, or district board of education. Substitute service is eligible for purchase provided it immediately precedes a permanent appointment as a teacher without interruption.

If the out-of-state service of the member was interrupted by a military leave of absence, the period of such leave may be included, but no more than 10 years of service in the aggregate can be purchased.

22.2 PREVIOUS MEMBERSHIP—This is all service credited under a previous membership in either the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, or the Police and Firemen's Retirement System, which has been terminated after 2

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continuous years of inactivity in accord with statute, or by the withdrawal of the contributions made under such membership.

22.3 TEMPORARY SERVICE—This is service rendered in a temporary position, without interruption, with the current employer, or substitute teaching employment, if such service was in New Jersey and was immediately followed by a permanent appointment with the State, a county, municipality, school district, or public agency and is requested for service credit within 1 year of enrollment. In the case of substitute teaching service such employment cannot be less than one full semester.

22.4 UNCREDITED SERVICE—This refers to any regular employment with an employer or teaching service in New Jersey for which the member does not now have retirement credit, and which would have been previous compulsory membership service. Members will be permitted to purchase only the mandatory period of pension credit which would have been established had the member been properly enrolled.

22.5 LEAVES OF ABSENCE—Members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund may purchase retirement credit for official leaves of absence without pay. Three types of leaves may be purchased: (1) up to 2 years for a leave due to the member's personal illness, (2) up to 2 years for a leave due to member's maternity, and (3) a leave for personal reasons which does not exceed 2 months in duration.

In both systems the purchase of a leave of absence must be requested within 1 year of the member's return to active employment.

22.6 MILITARY SERVICE—Normally, when a member is granted a leave of absence to enter the military service, the employer is responsible for continuing pension contributions to his account. In this case retirement credit continues during such leave, and no payment is required from the employee. A member is not permitted to purchase credit for military service which predates his entrance into public employment.

22.7 SPECIFIC PURCHASE PRIVILEGES—PUBLIC EMPLOYEES' RETIREMENT SYSTEM—The following types of purchase are available to members of the Public Employees' Retirement System:

a. Chapter 280 Credit—Certain State employees who were barred from enrollment in the former State Employees' Retirement System because of being age 40 or older when beginning employment, and highway day laborers who were employed but did not enroll prior to January 1, 1942, later received pension credit (half-credit) for such employment. These employees have the privilege of paying into the system to establish full retirement credit for such service.

b. Chapter 217 Credit—Veterans or nonveterans who withdrew from the former State Employees' Retirement System or waived their membership in the Public Employees' Retirement System in January 1955 are

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permitted to enroll in the system provided they agree to purchase all of their public service since 1955 on the basis of their current age and salary.

c. Chapter 71 Credit—This involves veterans and nonveterans who were not previously permitted to enroll in the Public Employees' Retirement System. Veterans must agree to purchase all of their public service since 1955. Nonveterans may join at any time but prior service credit, for service rendered prior to July 1, 1966, will depend upon the employer assuming the obligation pursuant to a referendum or resolution for all eligible employees.

d. Nonmember State Employees—Any nonveteran in the employ of the State prior to January 2, 1955, and who did not join the former State Employees' Retirement System, may enroll at any time. He may enroll as a new member with no credit for previous service, or he may establish retirement credit for his previous service on the basis of the optional purchase procedure.

23.1 PROOF OF SERVICE—Each member desiring to obtain purchase terms for a period of uncredited service is required to obtain certification of such employment from his former employer, if such evidence is not on file with his records in the Division of Pensions. Specific certification forms for this purpose are provided by the Division to members of each system, separate forms being required for New Jersey service and for out-of-state employment. The member is responsible for obtaining and forwarding certification of previous employment to the Division. Purchase terms cannot be calculated and quoted until verification of the service claim has been received.

23.2 OPTIONAL PURCHASE COST—The cost of purchasing temporary or substitute service is developed by multiplying the member's full rate of contribution by the annual salary in effect at the time of the request. The result is the cost of 1 year of service which is then multiplied by the appropriate years or fractional years being purchased.

All other optional purchase costs are developed by multiplying the member's annual salary at the time of his request by a factor, furnished by the actuary of the respective system, which is applicable to the member's nearest attained age. This actuarial factor reflects the Actuary's assumption of life expectancy, future mean salary increments, and the rate of future interest earnings. The result of this calculation is the individual cost to purchase 1 year of service. The single year cost is then multiplied by the number of years or fractional years claimed to arrive at the total cost of the transaction

The cost of a purchase will increase as the member advances in age and/or when his salary increases.

23.3 COMPULSORY PURCHASE COST—A compulsory purchase is applicable when a member's enrollment application is filed later than the date his regular contributing membership in the system should have

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become effective, in accord with law. If the period involved is less than 1 year, additional payroll deductions are scheduled to pay the back deductions due, calculated by multiplying the monthly salary by the member's net rate of contribution, with a credit established for the social security maximum in effect during the compulsory period.

If the enrollment application was not forwarded to the Division within 1 year of the member's enrollment date, the cost will be developed by multiplying the member's full assigned rate of contribution by the current annual salary. The result is the cost of 1 year which is then multiplied by the actual years in arrears. One-half of this total cost is then billed to the employee to be paid by installments, while the other half is billed to the employer for payment.

23.4 METHODS OF PURCHASE—Additional service may be purchased by means of a single lump sum payment, or the cost may be financed by authorizing extra salary deductions of at least a minimum monthly or biweekly payment equated to one-half of a normal deduction at the full rate of contribution. In most cases these additional payroll deductions may be scheduled over a maximum period of 10 years.

Installment purchase contracts must include interest charges on unpaid annual balances. The employee has the choice of combining a partial lump sum payment and scheduling lower additional payroll deductions for the balance of the cost.

23.5 DISCOUNTING ARREARS—A member has the privilege of terminating a payroll deduction program by paying the lump sum amount due to liquidate the balance of his arrearage, thus saving future interest charges. The Division must be advised in advance, so that the correct discounted value of the individual outstanding arrearage can be computed. Payments for this purpose can be accepted from members at the end of a calendar quarter. This is performed by the Adjustment Section.

23.6 CLASS B MEMBERSHIP PURCHASE—This type of purchase does not increase service credits, but involves a change of membership status so as to provide a larger benefit at eventual retirement. Membership in the retirement system is divided into two classes:

Class A Membership—Applicable to members enrolled in Public Employees' Retirement System prior to July 1, 1953, and to members of the Teachers' Pension and Annuity Fund enrolled prior to January 1, 1956. Provides retirement benefits of one-seventieth for each year of creditable service times final average salary.

Class B Membership—Provides retirement benefits one-sixth greater than Class A membership, and applies automatically to all veterans and members of the two systems enrolled after the dates indicated above. Provides retirement benefits of one-sixtieth for each year of creditable service times final average salary.

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Any member who has Class A status for all or part of his current membership has the privilege of converting such membership to Class B so as to augment his benefits at retirement. The cost of such conversion is an amount equal to approximately one-sixth of the current value of the Class A contributions in the employee's account.

23.7 PROCEDURE FOR OBTAINING PURCHASE TERMS—Any member of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, or the Police and Firemen's Retirement System may obtain purchase terms for additional service or for conversion to Class B by writing directly to the Division, addressing the inquiry to the attention of Supervisor of Purchases, Division of Pensions, P.O. Box 2058, Trenton, N.J. 08625.

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RETIREMENT AND CLAIMS

RETIREMENT

24. THE RETIREMENT AND CLAIMS BUREAU—The Retirement and Claims Bureau has its functions divided among three sections: (1) Retirement—this section calculates retirement benefits for members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System; (2) Claims—this section calculates and processes the death claims, withdrawals, and loans for members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System; and (3) Disability Review—this section processes the disability applications of all retirement systems administered by the Division and serves as liaison with the Division of Administrative Law which hears all appeals from decisions of all pension boards and commissions in the Division of Pensions. The work of the Retirement Section is detailed below beginning with section 25. The work of the Disability Review Section is discussed beginning with section 29. The work of the Claims Section is discussed beginning with section 33, while the work of the appeals machinery of the Division of Administrative Law is indicated in section 42.

25. THE RETIREMENT SECTION—The Retirement Section of the Bureau of Retirement and Claims is responsible for providing members of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System with individual quotations of retirement benefits upon request, and for calculating and authorizing payment of benefits to those members who file applications for retirement.

25.1 OBTAINING A QUOTATION OF BENEFITS—A member anticipating retirement should make his initial request for information at least 6 months in advance, so as to receive a preliminary quotation of benefits early enough to make an intelligent decision regarding the type of benefit to select. An early inquiry will also provide both the member and the Division of Pensions with sufficient time to resolve any questions which may arise after the quotation is received and avoid delay in filing an application for retirement and the issuance of the first benefit check.

A member who has requested and received one or more retirement estimates for sucessive dates should not assume that if he retires on a subsequent date his allowance will automatically increase, particularly if he plans to elect a survivor option at retirement. The life expectancy of

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both the pensioner and his beneficiary is considered in a calculation of benefits; if the nearest age of one or both individuals should increase because of advancing the date of retirement, the amount of required retirement reserves could decrease in some situations, thereby resulting in a lesser monthly allowance and lower insurance reserves. The Division therfore emphasizes the importance of always requesting a new estimate of retirement benefits if a decision to retire is delayed.

Requests for retirement benefit quotations must be made on a prescribed "Request for a Retirement Estimate" form issued and distributed by the Division, so as to assure that the section has all the individual statistical and salary data required to provide an accurate estimate of benefits. Employers normally have a supply of the "Request" forms on hand, or one may be obtained from the Division.

When completing this form the following data must be furnished:

a. Complete name and home address, including ZIP code.

b. Membership number.

c. Social security number.

d. Employing agency.

e. Type of retirement requested.

f. Anticipated date of retirement. (This must be the first day of a month.)

g. Date of birth.

h. Sex and date of birth of prospective beneficiary.—In the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System, if information under option 2, 3, or 4 is desired, this information will be necessary if the options are to be computed; benefits payable under option 1 are automatically furnished to members of these systems inquiring about retirement benefits. In lieu of options, specific survivor benefits are provided in the event of death following retirement in the case of members of the Police and Fireman's Retirement System. For such benefits please see 129.6

i. Current salary data.

j. Statement of any absences incurred during the 12 months preceding the date of the request.

25.2 MINIMUM ALLOWANCE—In the Teachers' Pension and Annuity Fund, the Police and Firemen's Retirement System, and the State Police Retirement System, no member or beneficiary shall be entitiled to receive a monthly retirement allowance or other benefit unless the amount of the allowance or benefit would be at least $25 per month. While this minimum would have little application in the payment of any maximum allowance, it can affect the amount of optional selections which are permitted in the pension or group insurance settlements.

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26. TYPES OF RETIREMENT—The various types of retirement available are listed hereafter, together with the specific requirements for each benefit for members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. (Please see 130 for the benefit schedule of the Police and Firemen's Retirement System.)

a. SERVICE RETIREMENT—Available to all members age 60 or older. No minimum number of years of service credit is required.

b. EARLY RETIREMENT—Available before age 60 to any member who has 25 years of credited service. Under age 55, a reduced retirement allowance is payable; the reduction is one-quarter of 1 percent for each month the member lacks of attaining age 55.

c. DEFERRED RETIREMENT—Available to any member who has established credit in his system for 15 years or more of service. Benefits payable begin as of the first day of the month following the member's sixtieth birthday.

At any time between electing deferred retirement and age 60, the member may withdraw his contributions or apply for early retirement benefits if he has 25 years or more of creditable service. If a member who has elected deferred retirement dies before reaching age 60, his accumulated contributions will be paid to his beneficiary or estate, but there is no insurance benefit payable.

d. SPECIAL VETERAN RETIREMENT—Specific war veterans who were engaged in public employment in New Jersey on January 1, 1955, may retire at age 60 or later on an allowance equal to one-half of the salary they received in their final year of service provided they have a minimum of 20 years of continuous New Jersey public employment and remain in New Jersey public employment until age 60. Such war veterans entering New Jersey public employment after January 1, 1955, may qualify for the same benefit by continuing in employment until age 62 after a minimum of 20 years of New Jersey employment . The age 62 qualification date also applies to veterans who were in service on January 1, 1955, but whose service was not continuous thereafter.

These special veteran retirement benefits cannot be deferred. They are available only if the veteran is an active member (not inactive or on leave of absence) at or after the ages specified.

While the veteran may wish to elect these special benefits, he may also retire on the same basis as a nonveteran member.

e. ORDINARY DISABILITY RETIREMENT—Available to any member who has established credit in his retirement system for 10 years or more of New Jersey service and becomes permanently incapacitated for further employment. Applicable only to members under age 60, the benefit payable will be equal to 1.5 percent of final average salary for each year of creditable service. The minimum allowance payable is 40 percent of final average salary, except that in no case can the benefit be larger than 90 percent of the allowance which the member would have

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received had he remained in service to age 60. If the member retires after age 60, he will be granted his full service retirement allowance.

f. ACCIDENTAL DISABILITY RETIREMENT—Should a member under age 65, regardless of years of service, become permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of the performance of his regular or assigned duties, he may qualify for a disability retirement allowance equal to two-thirds of the salary he was receiving on the date of the accident. If a member files after age 65, a regular service retirement allowance is payable.

If an application for accidental disability retirement is denied by the board of trustees of the respective system, the member will automatically be granted ordinary disability or service retirement, if he meets all the qualifications for such benefits.

g. LAW ENFORCEMENT OFFICERS—Certain law enforcement employees of the State Motor Vehicle and Alcoholic Beverage Control Divisions, the Department of Environmental Protection, the Palisades Interstate Park Commission, detectives and investigators in county prosecutor offices, and sheriff's officers and investigators in county sheriff's offices, have the right to choose a special set of benefits as law enforcememt officers. The duties required of these employees are such that they must often endanger themselves in order to maintain law and order. As a consequence the system provides security for their families by way of more liberal disability or death benefits and by permitting them to retire at a somewhat younger age than other employees. For these benefits the employee who elects to be a law enforcement officer member must contribute at a rate which is higher than that paid by other employees.

h. MANDATORY RETIREMENT—All members of the Public Employees' Retirement System must retire no later than the first of the month following the attainment of 70 years of age unless retained on the payroll by written request of the employer to the board of trustees. Retirement for any employee in a law enforcement officer position is normally mandatory at age 65.

Members of the Teachers' Pension and Annuity Fund must retire no later than the close of the school year (July 1) that precedes their 71st birthday.

Disability retirement may be requested by the member, the employer,
or someone acting on the member's behalf. Only a member may apply for service retirement, early retirement, deferred retirement, or veteran retirement. The privilege of retirement under an option may be exercised only by a member or a legally appointed guardian acting in behalf of an incompetent member.

If any employer is requesting the disability retirement of a member, a certified copy of the enabling resolution must accompany the em-

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ployer's request. It must be filed with the respective system a minimum of 30 days prior to the effective date of retirement. Requests for disability retirement must also include medical evidence of the employee's disability.

27. PREPARING FOR RETIREMENT—Retirement is not automatic. A member must file a formal application for benefits on a form prescribed by the system before he can receive any payments. If the member has made an earlier inquiry concerning retirement, he normally would have received a set of the proper forms. If not, such forms can be obtained promptly from the Division. Pension benefits cannot be granted on a retroactive basis. A minimum of 1 month advance filing is required, and retirement can become effective only on the first day of a month. If the member wishes to avoid any unnecessary delay or possible loss of income, it is important that he request a quotation of benefits well in advance of his intended retirement date.

28. APPLICATION FOR SERVICE AND AGE RETIREMENT—The service retirement applications of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund are similar; the same information is required on each form. Service retirement applications are used for service retirement, early retirement, veteran retirement, and deferred retirement only. Special application forms are required for ordinary and accidental disability retirement.

The following information must be completed by the applicant:

a) NAME—Print or type full name. A middle initial is not always sufficient since there is an amazing duplication of names in the file of hundreds of thousands of active and terminated accounts.

b) MEMBERSHIP NUMBER—Enter the membership number assigned at enrollment and which will have been used in any correspondence received from the Division. Avoid transposing any of the digits.

c) ADDRESS—The member should furnish his correct mailing address and not the address where he is employed. If the address after retirement will be different from where he is residing during employment, the specific address to which the applicant wishes his retirement checks to be mailed should be entered. The Division should be advised promptly of any subsequent change in mailing address.

d) EMPLOYER—The name and county location of the employer or school district should be clearly indicated.

e) SOCIAL SECURITY NUMBER—While this item is self-explanatory, avoid transposing any of the 9 digits.

f) DATE OF BIRTH—The member's exact date of birth should be entered and he should be prepared to furnish supporting evidence if the Division requests it. If he plans to elect option 2, 3, or 4 at retirement so as to provide a specific survivor's benefit for a beneficiary, evidence of the beneficiary's date of birth will also be required. He should, therefore,

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make an effort to secure such evidence and have it available when he applies for retirement. Birth or baptismal certificates are considered primary evidence and copies of such records can usually be obtained from the Bureau of Vital Statistics in the city or state of birth. In lieu of these documents, a copy of his recorded age can be obtained from the Bureau of Census, Pittsburg, Kansas 66762. If any question arises, the Division will be happy to assist in obtaining acceptable evidence.

g) WORKERS' COMPENSATION—The member is asked to answer the question as to whether he is receiving periodic Workers' Compensation benefits because of an injury in public employment. If a member is receiving such benefits, he has not terminated his employment status; he may apply for retirement. In this event the member must submit an official statement of his Workers' Compensation award showing the amount of periodic payments and the beginning and ending dates of the benefits awarded. The unpaid balance of the award on the date of retirement will be used to compute an actuarial reduction in the retirement allowance otherwise payable to the member. In no case will the member's allowance be reduced below the amount of annual annuity purchased by the contributions he made to his retirement system.

h) TYPE OF RETIREMENT—As previously indicated the service retirement application form can be used only for service retirement, early retirement, veteran retirement, and deferred retirement.

i) EFFECTIVE DATE—The applicant must enter the specific date upon which he wishes his retirement to become effective. Retirement is never retroactive; it cannot be effective earlier than the date the Division receives the application, and it must be the first day of a month.

An application for deferred retirement must be on file in this office within 2 years from the date of the last contributions to the system.

A minimum of 1 month advance filing is prescribed for members of all systems; advance filing is recommended and encouraged to avoid unnecessary delay in processing.

j) MAXIMUM OR OPTION—This entry on the member's application will determine the amount of allowance he will receive. If he desires the largest possible amount, with payments ceasing at his death, he sould select the maximum allowance without option. If the member selects an option at retirement in order to provide a survivor's benefit for a beneficiary, he will receive a reduced allowance during his lifetime. However, the member must indicate a specific optional selection in this case.

Selection of an option is irrevocable after the retirement has become effective. A member may change his selection at any time prior to the effective date by contacting the Division of Pensions.

It is possible that a member may have to file an application suddenly and before having an opportunity to obtain an estimate of retirement benefits. However, he should still complete this part of the

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form with the understanding that he will have the privilege of changing his selection after he has received his individual retirement quote. Such a change would have to be made promptly and in any event, before retirement payments are scheduled to become effective.

k) DESIGNATION OF BENEFICIARY—This part of the form must be completed in all cases, whether the member retires on a maximum allowance without option or selects an optional settlement. If no individual is to be designated, he should name his estate. In the event of death after retirement an insurance benefit may be payable, so that it is important that a designation of beneficiary be made at retirement. This designation will supersede any previous designation that has been made during active membership.

l) SIGNATURE AND NOTARIZATION—The completed application for retirement should be signed before a notary or any other official authorized to take affidavits, who must also affix his signature. The member should sign the form exactly as he plans to endorse his retirement checks.

m) SIGNATURE CARD—Each retiring member will receive a signature card in the letter from the Division which acknowledges receipt of his application for retirement. The member is asked to verify the social security number entered on the card, insert the number if the space provided is blank, and to sign the card exactly as he plans to endorse his pension checks. He is asked to return the card promptly and is advised that his checks will not be issued unless the completed card is on file with the Division. These cards are maintained in an endorsement verification file for the security and protection of our pensioners in order to assure proper receipt of benefits due. Verification of endorsement is requested annually from every pensioner as part of our security program.

n) EMPLOYER'S CERTIFICATION—The Division also requires that a "Certification of Service and Final Salary" form must be completed by the secretary of the board of education, certifying officer, or payroll clerk before retirement. The purpose of this form is to verify the amount of final salary as contained in the system's records in order to determine that the member receives proper retirement credit, to have notice if his termination was the result of suspension or dismissal, to have a statement listing any periods of absence or leave without pay, to verify the member's health insurance and Workers' Compensation status, and to receive from the employer advance notice of the pension, purchase arrears, and/or loan and Supplemental Annuity deductions to be made from final salary. These final deductions normally would not yet have been reported to the Division since employers remit and report deductions only on a quarterly basis. With this advance certification on hand the Division can process a retirement promptly without having to await the receipt of the Quarterly Report.

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29. DISABILITY REVIEW SECTION—The Disability Review Section of the Retirement and Purchase Bureau has been established for the primary purpose of facilitating the processing of disability retirement claims. All applications, correspondence, and telephone calls relating to disability retirement are channeled to this one central unit to assure rapid processing. The Disability Review Section reviews all disability applications, determines individual status and elegibility, arranges for all necessary medical examination appointments the expenses of which are paid by the Division, advises and assists in obtaining any supplemental reports, arranges referral of completed reports to the medical board for evaluation, and prepares the completed claims for the secretary of the particular retirement system and its respective board of trustees or commission.

Another function of the Disability Review Section is to arrange for the appearance of various witnesses and medical specialists required by the Attorney General's office in connection with any hearing on retirement matters.

29.1 DISABILITY RETIREMENT—The basic requirement for ordinary and accidental disability retirement is that total and permanent disability must be evident and substantiated. There is no provision whatsoever for granting temporary disability benefits.

Any eligible member who is totally and permanently disabled as a result of an accident in the performance of his employment may apply for accidental disability retirment regardless of length in service. The retirement application must be filed with the retirement system within 5 years of the accident. The board of trustees may waive this requirement if circumstances warrant such action. If the disability is not related to an accident on the job, the member may file for ordinary disability retirment benefits provided he has established credit for 10 years or more of service in New Jersey.

The service requirements for members of the Police and Firemen's Retirement System and other pension systems administered by the Division are somewhat different, but essentially the processing and the forms are identical.

29.2 APPLICATION FOR DISABILITY RETIREMENT—The disability applications for the several systems are very similar, and the four parts of the form are as follows:

a. PART I—Basic application form upon which the employee enters identifying data, denotes whether he is receiving periodic Workers' Compensation payments, indicates his request for either ordinary or accidental disability, stipulates the effective date and selection of option, designates beneficiary, and affixes his signature. The application requires a notary's signature and seal. The application clearly indicates that the form must be complete in every detail before it can be accepted.

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b. PART II (Reverse side of part I)—The first two questions are completed by all applicants and constitute the applicant's personal statement supporting his claim. The next four questions must be completed by the applicant for accidental disability in which such applicant describes the traumatic event or accident. He is advised that an applicant for such benefits will be retired on ordinary disability, if eligible, should the board deny the application for accidental disability, but find that he is indeed totally and permanently disabled and should be retired.

c. PART III—This is the employer's certification of disability, based on his designated physician's report, which also includes a history of the member's absences due to illness during the preceding 5 years and a statement outlining the duties applicable to the member's position. The employer is required to provide Workers' Compensation information. The employer is also notified that ordinary disability will be granted, provided the member meets the qualifications for such allowance, if accidental disability is disapproved by the board.

d. PART IV (Reverse side of part III)—This is also to be completed by the employer if the application is for accidental disability and constitutes the employer's certification concerning the accident. Required information includes the time, date, and place of the occurrence, a statement of the duties being performed at the time of the traumatic event, whether the accident was the result of willful negligence and the employer's opinion as to whether the employee is totally and permanently disabled as a direct result of a traumatic event occurring during and as a result of his regular or assigned duties, and whether the employee should be retired on accidental disability. The employer is notified that ordinary disability will be granted, provided the member meets the qualifications for such allowance, if accidental disability is disapproved by the board.

29.3 CERTIFICATION OF SERVICE AND SALARY—The same service and salary certification forms prescribed for age and service retirement are also required for any type of disability retirement application.

29.4 PERSONAL PHYSICIAN REPORTS—These forms should be filed together with the application for disability retirement. The applicant's personal physician is required to complete both sides of the report form, furnishing information concerning treatment and history of the disability, physical examination, diagnosis, prognosis including an evaluation of the applicant's ability to continue in his position, and indicating that he is a licensed physician in New Jersey. Part VIII of this form is completed only if the application is for accidental disability.

30. ACCIDENTAL DEATH BENEFITS—If a member should die in active service as a result of an accident met in the actual performance of

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duty at some definite time and place, and not as a result of his own willful negligence, an accidental death benefit will become payable, providing a report of the accident is filed in the office of the retirement system within 60 days following the accident and an application for benefits is filed within 5 years of the date of death.

Evidence must be submitted to the board proving that the natural and proximate cause of the death was an accident which was incurred during the course of employment.

A specific application for accidental death benefits must be filed by the dependent widow or widower or in behalf of any children and dependent parents, if eligible. The employer of the deceased member must also certify to the circumstances of the accident which caused the death of the employee.

30.1 ACCIDENTAL DEATH BENEFIT FORMS—When information comes to the attention of the retirement system that a member has died in active service as a result of an accident while performing his regular or assigned duties, the matter is referred to the secretary of the respective board or commission who will direct correspondence to the employer asking for the employer's certification of the accidental death while on duty. The information requested will pertain to the accident, such as the time and place, and a detailed description of the accident itself as well as the names and addresses of any witnesses. The employer will be asked to certify as to the information contained in his records, if the employee was performing his regular assigned duties and if the accident was not the result of the employee's willful negligence. He will likewise be asked to certify as to the specific duties assigned to the employee at the time of the accident.

In addition the employer will be requested to furnish a certification of service and final salary which may be used in determining the benefits payable to an eligible survivor.

An eligible survivor or his legal representative, such as a widow, widower, parent, or the guardian of the deceased member's children, will be requested to complete the application for the death benefits. Proof of age and marriage for any or all beneficiaries must be furnished with the application. Upon receipt of the employer's certifications and the application from the survivor or guardian, the Retirement Section will forward the information to the secretary of the respective board for inclusion in the agenda at a subsequent meeting of the board or commission.

31.1 PROCESSING RETIREMENT APPLICATIONS—Completed applications for retirement should be mailed to the Division as early as possible after the member has definitely decided to retire. The Division will then be in a position to process individual cases well in advance of the effective date requested, advise the member of any adjustment which

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may be required, and request the exact amount of any balance outstanding on a purchase of service credit or a loan which must be paid prior to retirement.

Service retirement applications require a processing period of 4 or 5 weeks; applications for disability retirement normally require 8 to 12 weeks for processing because of the medical examination and the supplemental reports which are necessary.

The Attorney General has held that where a member has been indicted or dismissed for misconduct in office, or where the employee is contesting his dismissal, that the respective board or commission must withhold consideration of any pending application until the criminal charges have been dropped or the litigation has been completed clarifying the employee's status. Obviously, if the applicant is acquitted, his application may then be considered. On the other hand, if he is convicted, or if his dismissal is a result of misconduct in office, his application must likely be denied for want of the implicit qualification of honorable service. As these cases are few in number, the applicant will be advised to request an administrative hearing so that all of the facts concerning his particular situation can be elicited.

31.2 APPROVAL OF RETIREMENT APPLICATIONS—An application for retirement must be complete in every detail before it can be presented to the board of trustees for approval. The statute requires that a retirement application must be formally approved by the board of trustees of the system in which the member is enrolled before payment can begin. The board of trustees of each system meets once a month, normally the third Wednesday for the Public Employees' Retirement System, the second Thursday for the Teachers' Pension and Annuity Fund, and the third Monday for the Police and Firemen's Retirement System. All pending applications for retirement which are complete and in proper order before the meeting dates are presented to the board for approval.

31.3 NULLIFICATION OF RETIREMENT—The statute provides that a retirement allowance shall not become due and payable until 30 days after the date the board of trustees approves the application for retirement, or 30 days after the effective date, whichever is later. Therefore, should an applicant die before his retirement allowance becomes due and payable, the retirement will be
nullified, and the member will be considered as if he had not retired at the time of his death. Payment of death benefits will be determined accordingly.

31.4 RETIREMENT CHECKS—In accordance with law, initial retirement checks cannot be mailed earlier than 30 days following the date of board approval, or the effective date of retirement, whichever is the later of the two dates. All checks will be drawn for a full monthly allowance

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and are normally mailed on the first business day of the month following the month for which payment is due. Retirement benefits are never paid in advance. If approval has been delayed, the initial check will include all benefits accrued since the effective date of retirement.

31.5 OPTIONS—The basic benefits at retirement produce the largest or maximum allowance payable to a member from the time he retires until he dies. The maximum allowance stops at the death of the retired member. However, at the time of retirement a member may wish to select certain optional benefits which would better suit his particular needs. His monthly retirement allowance would then be reduced to compensate for the additional benefits provided. The options are:

OPTION 1—If the retirant dies before he has collected, in the form of monthly allowances, the full proceeds of the initial reserve established by the system to support his retirement, the unused balance of the initial reserve is paid in one lump sum to his designated beneficiary, if living; otherwise to the retirant's estate.

OPTION 2—Upon the death of the retirant his retirement allowance would continue to be paid throughout the lifetime of his designated beneficiary, if he or she survives him.

OPTION 3—Upon the death of the retirant an amount equal to one-half of his retirement allowance would be paid throughout the lifetime of his designated beneficiary, if he or she survives him.

OPTION 4—Under the provisions of option 4 a member may specify the amount of allowance, which cannot exceed the amount available under option 2, to be paid throughout the lifetime of his designated beneficiary, if he or she survives him.

Under option 2, 3, or 4, the designated beneficiary is fixed at the time of retirement and cannot be changed thereafter. A reduced allowance under an optional selection also remains fixed for life and will not be increased in the event the beneficiary predeceases the pensioner.

No optional selection shall be effective if the retiring member dies before his retirement allowance becomes effective.

31.6 LIFE INSURANCE—Life insurance coverage after retirement differs between the systems because of past mortality experience.

In most systems the value of the noncontributory insurance is maintained in full for those retired on disability up to the normal service retirement age with the amount of insurance decreasing at that point to an amount which is normally paid in the event of death after retirement for those who retired for age and/or service.

Ten years of service may be required for the payment of a lump sum group life insurance benefit in the event of death following retirement.

31.7 LIFE INSURANCE CONVERSION PRIVILEGE—A member of the Teachers' Pension and Annuity Fund, the Police and Firemen's,

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State Police, and Judicial Retirement Systems, and the Alternate Benefit Programs may exercise a conversion privilege with respect to the difference between the full amount of insurance coverage he carried during active employment and that which is retained at retirement.

This privilege permits a retiring member, within 31 days following the date he terminates employment, to convert part of his group life insurance to an individual policy without medical examination. This may be accomplished by contacting an agent or any office of the carrier of the group life insurance plan. The member may select any individual policy then being issued by the carrier, except term insurance or a policy containing disability benefits.

31.8 **HEALTH INSURANCE**—Any member who has a hospitalization and/or medical-surgical insurance contract in force with the Hospital Service Plan and/or the Medical Surgical Plan of New Jersey as a member of a public employer group at the time of retirement, may transfer to the Division's pensioners' group for the continuation of coverage by means of monthly pension payroll deductions on a group rate basis. This is also true of members of the Garden State Hospitalization Plan.

Any member insured at the time of retirement under the State Health Benefits Program may also transfer his contract to the retired group for continuation of such coverage. This is the plan which involves basic hospitalization and medical-surgical benefits, and major medical expense benefits. A member is eligible for this coverage if he is an employee of the State or of any county, municipality, school district, or public agency which has authorized participation in the plan by resolution of the governing body.

After the retirement application has been completely processed, the appropriate forms to effect such transfer will be forwarded to the retiring member for completion and should be returned promptly to the Division. Under no circumstances should these forms be forwarded to the offices of the insurance carriers.

The Division will begin deducting health insurance premiums as soon as the retiring member has been established on the pension payroll. However, the service companies have advised that due to administrative delay in the transfer of a subscriber from one group to another, the member may receive an interim bill directly from the companies. This bill should be paid immediately by the member to avoid cancellation of his health insurance contract. After the subscriber has received his new contract evidencing his transfer to the pensioners' group, he may apply directly to the companies for a refund of any overpayment he may have made during the transfer period. This advice should be followed by all who were covered by a locally-administered service company group. However, this is not the case of those who are covered by the State

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Health Benefits Program; members of this program will be advised as to the transfer of their coverage from active to retired status.

Legislation has been enacted to have the State and local employers pay the health insurance premiums for certain retired persons; such individuals will be so notified by their employers or the State Health Benefits Program.

31.9 WITHDRAWAL WAIVER—The retirement circumstances of every member are different. For one reason or another a member may wish to withdraw his contributions from the system in lieu of retirement. Such withdrawal will not affect his eligibility for social security benefits. In this event the member is required to execute a waiver of his rights to any retirement benefits and group life insurance coverage, which are available only to members who retire and receive a retirement allowance. In this waiver the specific amounts of the monthly retirement payments and the insurance benefits are indicated so that the member is fully acquainted with the benefits to which he would be eligible if he retired. The withdrawing member may also convert his group life insurance coverage upon the termination of his employment.

32.1 EMPLOYMENT AFTER RETIREMENT—Most public employees will not resume employment after retirement. However, for the handful who do, there are four matters which concern retired members who resume employment after their retirement from the public service. The first and second involve the pensioner who returns to public employment, the third stipulates limitations pertaining to disability retirants, and the fourth concerns all who are eligible to receive social security benefits.

a. Most retired members will have no limitation on their earnings following the acceptance of a position in public employment in New Jersey. The pensioner who accepts employment in a position normally covered by another retirement program, other than the one from which he receives his pension, will not be permitted to enroll in such other pension plan but will be eligible to continue to receive his retirement allowance. However, if he returns to a position covered by the same pension plan from which he receives his allowance, such allowance will be canceled, and he will be required to reenroll if he is otherwise eligible. Upon subsequent retirement his former allowance will be restored together with any original optional selection, and he will receive an additional allowance based on his service since his return to duty. Consequently, in the case of the pensioner who is reenrolled and who dies while an active member, no optional benefit elected under his original retirement will become payable. He will be treated as an active member in all respects. Upon subsequent retirement, such a member will receive his former retirement allowance and to this will be added a benefit based on his additional employment.

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b. The disability pensioner who is restored to active service will also be reenrolled and will again have deductions made from his salary. He will be treated as an active member in all respects. Upon subsequent retirement he will receive an allowance based on all of his service.

c. With respect to disability retirants, until they reach the normal service retirement age but for not more than 5 years after retirement, they may be requested to undergo annual medical examinations. Disability allowances may be subject to adjustment before the normal service retirement age because of earnings after retirement. The statute provides for a reduction in the pension to an amount, which when added to the amount then earned by the retirant, does not exceed the amount of the salary currently attributable to his former position in the public service.

d. There is also an earnings test for anyone receiving social security benefits. When an individual files an application for social security benefits, he is advised how earnings will affect the receipt of his benefits. As social security is a Federal program, information pertaining to the receipt of these benefits should be obtained from the local district office of the Federal Social Security Administration.

32.2 INCOME TAX—At retirement the Division provides a statement of account showing information needed for income tax purposes. A retired employee should take this statement to his local Internal Revenue Service office for help in setting up annual income tax returns. The Division annually issues a Form W-2P (similar to W-2) which shows the total retirement allowance paid during the preceding calendar year. A pensioner may have income taxes withheld from his monthly checks by obtaining Form W-4P from a district office of the Internal Revenue Service and forwarding the completed form to the Division. He must identify the retirement system from which he is retired and his retirement number, if known.

Again, since income tax is a Federal matter, we can recommend only that information pertaining to the preparation of tax returns be obtained from the local district office of the Federal Internal Revenue Service.

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RETIREMENT AND CLAIMS

CLAIMS

33. THE CLAIMS SECTION—The Claims Section deals with claims for death benefits for members of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, the State Police Retirement System, the Alternate Benefit Programs, and the Judicial Retirement System. Withdrawal applications are processed for members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System.

34. DEATH BENEFITS—These benefits consist primarily of the payment of group insurance claims, noncontributory and contributory, in the case of death before or after retirement. Also involved in the case of death before retirement would usually be the return of the member's contributions. In cases of accidental death the member's contributions are not normally refunded since a monthly pension benefit is payable to an eligible survivor. Only in cases where the member left no eligible survivor will the pension contributions be refunded to his beneficiary or estate.

In the case of service-connected death the Claims Section will provide for the return of contributions, if applicable, and make payment of insurance, if any. The claim will then be referred to the Retirement Bureau where the service-connected death benefits payable to the survivors of the deceased member will be calculated and awarded.

With respect to death after retirement the Claims Section also calculates and processes the payment of benefits payable to a beneficiary or an estate under the option selected by the member at retirement.

34.1 EFFECTIVE DATE OF GROUP LIFE INSURANCE PROGRAMS—Noncontributory death benefits have been provided by the Teachers' Pension and Annuity Fund since January 1, 1956. Effective January 1, 1958, additional contributory insurance was provided, and the death benefits were covered by a group life insurance policy.

Noncontributory death benefits have been provided by the Public Employees' Retirement System since January 1, 1955. Effective December 1, 1956, additional contributory insurance was provided, and the death benefits were covered by a group policy.

Noncontributory death benefits have been provided for members of the Police and Firemen's Retirement System since July 1, 1953. Effective October 1, 1954, additional contributory death benefits were provided,

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and the death benefits were on a self-insured basis. However, on July 1, 1956, the noncontributory and the additional death benefits were underwritten by an insurance carrier. Effective July 1, 1968, the life insurance coverage has been provided under a completely noncontributory policy.

Contributory life insurance benefits have been provided to members of the State Police Retirement System since October 1, 1925. Effective August 1, 1965, a new contributory life insurance plan was established for active members of the State Police Retirement System. Former members of the State Police Benevolent Fund, which was abolished on July 1, 1965, and who had retired prior to July 1, 1965, were given the privilege of electing to carry the additional insurance coverage, which was available to them in the former system, upon their retirement. The former active members of the State Police Benevolent Fund could be covered at retirement by the additional insurance benefits of the former plan provided they requested coverage prior to July 1, 1966. On June 18, 1966, legislation was adopted canceling the contributory insurance program, and members of the State Police System were provided life insurance protection under a completely noncontributory policy.

Under legislation adopted in the years of 1965 and 1967-68, noncontributory and contributory group life insurance have been established for members of the Alternate Benefit Programs at the several public institutions of higher education in the State. The benefit and contribution schedules of such group life insurance are similar to those provided to members of other State retirement programs. On December 22, 1969, legislation was adopted canceling the contributory insurance program, and members of the Alternate Benefit Programs were provided life insurance protection under a completely noncontributory policy.

Noncontributory death benefits have been provided for members of the Judicial Retirement System since June 1, 1973.

The complete terms of the group life insurance coverages are set forth in the group insurance policies; insured members receive individual certificates outlining the benefits.

34.2 **COST OF GROUP LIFE INSURANCE**—The employer pays the cost of all noncontributory group insurance benefits for members of the Police and Firemen's Retirement System, all members of the local reporting districts of the Public Employees' Retirement System, and for members of the Judicial Retirement System paid by counties. The State pays the cost of the noncontributory insurance benefits for members of the Teachers' Pension and Annuity Fund, the State Police Retirement System, the Alternate Benefit Programs, State employee members in the Public Employees' Retirement System, and the Judicial Retirement System. The statute establishes the State Treasurer as policyholder for the noncontributory insurance coverage for all systems. The policyholder for the contributory insurance coverage, in all systems, is the respective board of trustees.

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For the contributory life insurance the members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund covered under the program pay 0.5 or 0.4 percent of salary respectively. In the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund, the members in service who have attained the age of 70 would not pay any premiums for the contributory insurance coverage. The employer will pay the cost of the insurance coverage under the contributory program for this group of individuals.

34.3 ELIGIBILITY FOR COVERAGE, TEACHERS' PENSION AND ANNUITY FUND—Members of the Teachers' Pension and Annuity Fund became covered for the noncontributory death benefits on January 1, 1956. Most individuals now becoming members of the Teachers' Fund are automatically insured for both noncontributory and contributory coverage, and deductions for contributory insurance are made effective with the date of their enrollment. The statute requires that the contributory insurance be carried during the first 12 months of membership.

Generally, the insurance coverage is available to members of the Teachers' Fund without a medical examination. All members enrolled prior to January 1, 1970, who were not covered under the contributory insurance program were given the opportunity of requesting the additional insurance coverage. However, a member had to file a health statement prior to March 31, 1970, which was to determine whether the member had to prove insurability prior to being granted the contributory insurance coverage. There are, however, five exceptions:

(a) An individual who was eligible for membership in the fund before January 1, 1956, as an optional enrollment and who enrolled in the fund on or after January 1, 1957.

(b) An individual who had attained age 60 before his enrollment application was received by the fund.

(c) An individual who files an enrollment application beyond his first year of eligibility for membership.

(d) Members who convert their group insurance coverage to a private policy; upon return or reenrollment such members must cancel their private insurance contract or prove insurability in order to reestablish group life insurance coverage.

(e) An individual who was required to furnish evidence of insurability and who ceases to be a member of the retirement system without such evidence having been given shall continue to be subject to the same insurability requirement if he subsequently becomes a member.

34.4 ELIGIBILITY FOR COVERAGE, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Members of the State system on January 1, 1955, became covered for the noncontributory death benefits. Employees who are compulsorily enrolled after this date, provided they have not

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attained age 60, are eligible for the noncontributory insurance on the date they become members. However, if the employee who is an optional enrollment does not apply for membership within 1 year from the date he is eligible to do so, he will be required to furnish evidence of insurability.

The statute requires that all employees who had established membership in the retirement system after July 1, 1963, are compulsorily covered under the contributory insurance program during the first 12 months of membership. All members enrolled prior to July 1, 1963, who were not covered under the contributory insurance program, were given the opportunity of requesting the additional insurance coverage. However, a member had to file a health statement prior to June 30, 1964, which was to determine whether the member had to prove insurability prior to being granted the contributory insurance coverage. In 1979, the contributory plan was reopened again for a 6-month period. However, a member had to file a health statment prior to October 10, 1979. In 1980 both insurance plans were reopened for a 6-month period to members who were required and failed to take a medical examination to establish their coverage. The members had to file an application prior to August 6, 1980, and pass the medical examination scheduled by the insurance carrier before coverage could be established. The initial premium rate for 1979 and 1980 groups is three-quarters of 1 percent. The different rate structure is designed to prevent adverse experience engendered by this group from affecting the contributions required by those who have been enrolled in the past and who continued coverage since enrollment.

The insurance coverage is available to members of the retirement system without a medical examination. However, there are five exceptions:

(a) An optional enrollee who files an application for enrollment after 1 year has expired from the date he was originally eligible to join the retirement system must submit to a medical examination to secure insurance coverage upon enrollment.

(b) An individual who had attained age 60 before his enrollment application was received by the system.

(c) An individual who files an enrollment application beyond his first year of eligibility for membership.

(d) Members who convert their group insurance coverage to a private policy; upon return or reenrollment such members must cancel their private insurance contract or prove insurability in order to reestablish group life insurance coverage.

(e) An individual who was required to furnish evidence of insurability and who ceases to be a member of the retirement system without such evidence having been given shall continue to be subject to the same insurability requirement if he subsequently becomes a member.

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34.5 ELIGIBILITY FOR COVERAGE, STATE POLICE RETIREMENT SYSTEM—Members of the State Police Retirement System were covered under the noncontributory insurance program on July 1, 1965. All active members of the former State Police Benevolent Fund became automatically insured on July 1, 1965, under the noncontributory life insurance program. All new members of the State Police Retirement System would have insurance coverage on the day that they establish membership.

No medical examination is required to establish group life insurance coverage. However, there are exceptions: (a) members who convert their group life insurance coverage to a private policy; upon return or reenrollment such members must cancel their private insurance contract or prove insurability in order to reestablish group life insurance coverage; (b) individuals who file enrollment applications beyond their first year of eligibility for membership; (c) individuals who first become eligible for membership on the basis of special legislation; and (d) an individual who was required to furnish evidence of insurability and who ceases to be a member of the retirement system without such evidence having been given shall continue to be subject to the same insurability requirement if he subsequently becomes a member.

34.6 ELIGIBILITY FOR COVERAGE, POLICE AND FIREMEN'S RETIREMENT SYSTEM—Members of the Police and Firemen's Retirement System were covered under the noncontributory insurance program on July 1, 1967. All active or retired members became insured for such benefits under the group insurance policy. All new members would have insurance coverage on the day that they establish membership.

No medical examination is required to establish group life insurance coverage. However, there are exceptions: (a) members who convert their group life insurance coverage to a private policy; upon return or enenrollment such members must cancel their private insurance contract or prove insurability in order to reestablish group life insurance coverage; (b) individuals who file enrollment applications beyond their first year of eligibility for membership; (c) individuals who first become eligible for membership on the basis of special legislation; and (d) an individual who was required to furnish evidence of insurability and who ceases to be a member of the retirement system without such evidence having been given shall continue to be subject to the same insurability requirement if he subsequently becomes a member.

34.7 ELIGIBILTY FOR COVERAGE, ALTERNATE BENEFIT PROGRAMS—Full-time faculty members at public institutions of higher education have been permitted to transfer from State retirement programs to the Alternate Benefit Program established at the several schools, including the New Jersey College of Medicine and Dentistry, Rutgers, the State University, the New Jersey Institute of Technology,

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and the State and county colleges. Participants who transferred and all new participants were covered under the noncontributory insurance program on July 1, 1969. All eligible active or retired participants became insured for such benefits under the group insurance policy. All new participants would have insurance coverage on the day that they establish participation.

No medical examination is required to establish group life insurance coverage unless the participant had attained age 60 before his enrollment application was received. Insurability is also required if the application is filed beyond the year after the employee first became eligible for participation. Likewise, participants who convert their group insurance coverage must cancel their private contract or prove insurability upon their return or reenrollment.

34.8 ELIGIBILTY FOR COVERAGE, JUDICIAL RETIREMENT SYSTEM—Judges eligible for membership in the Judicial Retirement System were covered under the noncontributory insurance program on June 1, 1973. All judges enrolled subsequent to June 1, 1973, would have insurance coverage on the day they establish membership.

No medical examination is required to establish group life insurance coverage except for those members who convert their group life insurance coverage to a private contract. Such a member must cancel his private contract or prove insurability upon his return or reenrollment.

35.1 BENEFICIARIES OF GROUP LIFE INSURANCE—Life insurance will be paid to the person or persons the member names as his beneficiary. He may name anyone he wishes, and he may change his beneficiary at any time by making written request. This matter of designation of beneficiary receives more adequate treatment in sections 20.4 - 20.9 which deal with the work of the Beneficiary Designation Section. The Designation of Beneficiary form may be obtained from the secretary of the board of education, the payroll clerk, the certifying officer, or the Division of Pensions.

The beneficiary need not be an actual person. For lump sum settlements an estate, church, institution, fiduciary, or other beneficiary may be named. However, it is generally desirable to name a definite person or persons as beneficiary rather than an estate. This may save delay and expense after death.

35.2 METHOD OF PAYMENT—The insurance may be paid in a lump sum or in equal installments over a period of years or as a life annuity to a beneficiary. In addition, members may arrange with the carrier for some other method of settlement. The carrier is currently making available all the options contained in its ordinary life policies.

35.3 GROUP LIFE INSURANCE AND ACCIDENTAL DEATH—In most systems if a member should die in active service as a result of an accident arising out of and in the course of his regular or assigned duties

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and not as a result of his own willful negligence, an accidental death benefit will become payable, providing a report of the accident is filed in the office of the retirement system within 60 days following, and complete and proper application for benefits is filed within 5 years.

A specific application for accidental death benefits must be filed by a dependent widow or widower, dependent parent, or in behalf of children under the age of 18, if there is no surviving widow or widower.

Accidental death benefits normally include:

a. Payment of noncontributory and contributory insurance, if in effect.

b. An allowance to the dependent widow or widower, payable until remarriage, amounting to 50 percent of the member's former compensation.

c. An allowance of 20 percent of final compensation will be paid to one surviving child, 35 percent of final compensation to 2 surviving children in equal shares, and where there are 3 or more children, 50 percent of final compensation is payable in equal shares to each child upon the remarriage or death of the dependent widow or widower.

d. If the member left no surviving dependent widow, widower, or children, 25 percent of final compensation will be paid to one surviving dependent parent, or 40 percent of final compensation will be paid in equal shares to the dependent parents.

e. If there is no surviving dependent widow, widower, child, or parent, the aggregate contributions of the member with interest, if applicable, will be paid to any other beneficiary designated by the member.

The return of the member's contributions, if applicable, and the payment of the insurance death benefits would be performed by the Claims Section, while the payment of a widow's, widower's, children's, or dependent parents' pension is the responsibility of the Retirement Section.

35.4 EMPLOYMENT FOR MORE THAN ONE PARTICIPATING EMPLOYER—All earnings constituting base salary, and consequently subject to pension deductions during the last year of creditable service, will be considered in determining the amount of the noncontributory and contributory death benefits. If the member is employed in several locations, his coverage will be based on the earnings subject to pension in all employments.

35.5 CHANGING EMPLOYMENT—Noncontributory and contributory death benefits will remain in effect, if such contributory program is available, if the member leaves one employer and transfers his membership to another participating group.

35.6 LEAVES OF ABSENCE—If a member is granted a leave of absence with pay, his insurance will continue and the insurance deduc-

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tions will be taken for contributory insurance provided the member is covered under the contributory program.

When a member is granted an official leave of absence without pay, the noncontributory and contributory insurance, if applicable, will continue up to 2 years while on leave due to the member's illness, up to 1 year for the member's maternity, to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education, and up to 93 days if the leave is for any other reason. However, leaves for maternity reasons are not applicable to the State Police Retirement System, and the leave provision pertaining to full-time students is not applicable to participants in the Alternate Benefit Program. Members of the Judicial Retirement System will continue their noncontributory insurance coverage up to 2 years while on leave due to personal illness, up to 1 year for maternity, and up to 93 days if the leave is for any other reason.

In all retirement systems where a member is covered under the contributory group life insurance program, he will be required to pay insurance premiums to continue his protection for the additional insurance when he has secured a 93-day leave of absence for any reason other than illness. A member is not required to pay insurance premiums when he has secured an official leave of absence due to illness or maternity. If his leave of absence extends beyond the applicable period, his insurance will be deemed to have terminated at the end of the period. However, such coverage may be converted to an individual policy within 31 days while the employee is still on official leave.

35.7 SEASONAL DISCONTINUANCE OF MEMBERSHIP—In the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, noncontributory and contributory coverage during the months of July and August in the case of 10-month members will continue as long as the employer-employee relationship exists during this period. However, a signed contract is necessary in those instances where an employment contract is required to continue an employee-employer relationship. In the event a contract is not necessary to continue employment, the employer must certify the employee was expected to return and would have been rehired in the month following the expiration of the 2 month period in which the employee did not render any service.

35.8 TERMINATION BEFORE RETIREMENT—If a member terminates employment, his coverage will continue for the next 31 days. In this 31-day period he may change his insurance, without medical examination, to an individual policy. He may select any type of individual policy issued by the carrier except term insurance or a policy containing disability benefits. The individual policy will become effective at the end of the 31-day period. The premium will be the same as that he would ordinarily pay if he applied for an individual policy at that time.

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Inquiries regarding conversion must be made through an authorized agent of the carrier. If the member has not converted by the end of the 31-day period, his insurance protection will have terminated.

If the member returns to covered public employment after having converted his insurance and the individual policy is still in force when he again becomes a member, he will be required to discontinue the converted policy or submit evidence of insurability before he may again be covered under the group policies.

35.9 POSTRETIREMENT BENEFITS—In the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, Judicial Retirement System, Police and Firemen's, and State Police Retirement Systems, retirement is not considered in effect until 30 days have elapsed since the respective board of trustees or commission approved the application or after the effective date of retirement, whichever is later. Members who die within this 30-day period are considered to have not retired and benefits will be paid accordingly.

During the 31 days following retirement the member of the Teachers' Pension and Annuity Fund, Police and Firemen's and State Police Retirement Systems, the Alternate Benefit Programs, and the Judicial Retirement System may change his insurance coverage to an individual policy under the same conditions for conversion indicated in section 37.7. At the time the insurance is reduced, the privilege of conversion will apply with respect to the amount by which his insurance coverage has been reduced.

Of course, another way of providing additional death benefits following retirement is to elect one of the options available under the system. Options are not available to members of the Police and Firemen's, State Police, and the Judicial Retirement Systems since monthly benefits are automatically payable to the eligible survivors.

35.10 TERMINATING CONTRIBUTORY INSURANCE—A member may withdraw from the contributory program by completing the proper form. However, once the insurance has been dropped, the member cannot again become insured. The law specifically provides that there shall be no return of the contributions made for contributory insurance.

36. SURVIVOR BENEFITS—Most retirement systems provide specific survivor benefits in the event of accidental death, and such benefits are normally provided to dependent widows or widowers, children, or dependent parents of the deceased member. Such accidental death benefits are available in most of the retirement systems administered by the Division of Pensions.

Specific survivor benefits are payable in the law enforcement officer and judicial systems which include the Consolidated Police and Firemen's Pension Fund, the Prison Officers' Pension Fund, the Police

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and Firemen's Pension Fund, the State Police Retirement System, and the Judicial Retirement System.

Such specific survivor benefits have not been paid by other retirement programs, but in their place survivor options have been afforded to the members of these other systems, such as the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System. However, since the selection of an option to provide a benefit to a survivor involves a reduction in the member's maximum allowance, the options are not as advantageous as specific benefits where the member's allowance is not reduced. Some of the monetary difference in benefits to be provided to survivors of members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund has been met by Federal Social Security. Thus a retired member who takes a reduction in his allowance in order to provide a survivor benefit appreciates that as early as age 62 he may be receiving additional income under Federal Social Security and that these will be in addition to anything provided by the retirement system under the group insurance program in the event of death before retirement, or under a survivor option in the event of death after retirement.

37.1 CLAIMS, DEATH IN SERVICE—The Claims Section receives notice of a death of a member in service from various sources including letters from beneficiaries, phone calls, newspaper clippings, the carrier, and from employers. In addition to the forms involving the return of contributions, if payable, specific forms are required for the processing of other death benefits as indicated below.

37.2 PROCESSING CLAIMS, DEATH IN SERVICE—Upon receipt of a notification of a death the different amounts of insurance based on attained age at death may require that the decedent's age be established. In such cases a birth certificate will be required. Salary information is obtained from the employer certification and verified by the Contributions Bureau and Data Processing.

All claims prescribe the obtainment of a death certificate. Also required are the Proof of Death forms including the Insurance Certificate issued by the carrier or a Claimant's Lost Certificate form and the Application for the Death Benefit Payment of Accumulated Salary Deductions.

37.3 CLAIMS, DEATH AFTER RETIREMENT—The Claims Section receives notice of the death of a retired member from various sources including letters from beneficiaries, phone calls, newspaper clippings, the carrier, and from the return of uncashed pension checks from the post office. There are several benefits that may be payable in any specific case. These include:

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(a) the accrued retirement allowances which reflect all monthly benefits due to the pensioner but which he was unable to cash before his death;

(b) noncontributory insurance benefits which are payable in the event of death after retirement and which may differ in amount as between those who retired for disability before the normal service retirement age and those who retired on any other benefit;

(c) a contributory insurance benefit which is applicable to members of the Teachers' Fund who retired after a specific date and who were covered by the additional insurance program in the month prior to retirement;

(d) the payment of specific survivor benefits to an eligible beneficiary, such as a dependent widow or widower, children, or dependent parents; and

(e) the payment of any survivor benefits provided under an option which may have been selected by the pensioner at the time of retirement.

All of these benefits are calculated and processed by the Claims Section.

37.4 PROCESSING CLAIMS, DEATH AFTER RETIREMENT—Upon receipt of a notification of a death of a retired member, the different amounts of insurance based on attained age at death may require that the decedent's age be established. In such cases a birth certificate will be required.

All claims prescribe the obtainment of a death certificate. Also required are the Proof of Death forms including the Insurance Certificate issued by the carrier or a Claimant's Lost Certificate form, the Claim for the Payment of the Accrued Allowance, if any, or the Certificate of the Claimant under the various options. Normally, the insurance death benefits are first paid, and then the claims for any survivor benefits are considered.

37.5 EMPLOYER CERTIFICATION, DEATH IN SERVICE CLAIMS—The forms of the systems are fairly similar in that they request all of the information which will establish a bona fide claim; required are data concerning the most recent salary and pension contributions prior to the date of death in order to validate the reports received by the retirement system as well as to speed the payment of the claim prior to the receipt of quarterly wage reports.

The employment status of the employee at the time of death must be indicated on this form; i.e., leave of absence with or without pay for illness, resigned, discharged, maternity leave, etc.

37.6 THE CLAIMANT'S LOST CERTIFICATE STATEMENT—In the processing of a death claim it is necessary for the claimant to submit the member's insurance certificate. If it is determined that the original

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has been destroyed or lost, the claimant must complete a form indicating as much.

37.7 PROOF OF DEATH FORM, COMPLETION—The forms employed by all retirement systems are similar in nature. The claimant completes a statement which requires notarization. He is then instructed to attach a death certificate and the member's insurance certificate and forward the three items to the Division of Pensions if the insurance benefits are to be paid in one sum or under a settlement option offered by the retirement system. The Claims Section will complete the statement of the policyholder and forward the statement and related documents to the carrier upon approval and payment of the claim. However, a beneficiary who elects to receive the insurance benefits under a settlement option offered by the insurance carrier must send these forms directly to the carrier. The carrier will make the necessary arrangements to pay the insurance benefits in the manner prescribed by the beneficiary.

37.8 CLAIM FOR RETURN OF CONTRIBUTIONS, COMPLETION—In the case of death in service, beneficiaries may be entitled to a return of the member's contributions. The forms are similar. In part I, the retirement system indicates the name of the beneficiary designated by the member as given in the system's records. In those cases where the payment of the member's contribution is due the beneficiary, the value of the benefit must be paid in one sum. The beneficiary will complete part II of the application before a notary public.

37.9 CLAIM FOR ACCRUED RETIREMENT ALLOWANCE, COMPLETION—In State-administered pension programs an allowance for the month of death is not payable to the member's beneficiary or estate. However, in some cases the value of a monthly pension check may be payable to the member's beneficiary or estate since the member did not negotiate a pension check covering a full month's pension allowance which was due him prior to his demise. Forms, which require notarization, are provided by all systems.

38.1 CLAIMS FOR OPTIONAL SETTLEMENTS, COMPLETION—In the case of death after retirement, claims must be submitted by beneficiaries of members who selected options at the time of their retirement. Special forms are provided in the case of option 1 where a lump sum or monthly annuities are payable. Again, these forms are prepared by the beneficiary, or if the beneficiary is a minor, the claim must be executed by his legal guardian. If the beneficiary predeceased the retirant, the claim should be executed by the administrator or executor of the estate of the deceased retirant. In this event, a copy of the death certificate of the beneficiary must be submitted. Moreover, executors, administrators, and guardians must furnish certified copies of their authority to act.

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In the case of survivorship allowances payable under options 2, 3, and 4, the allowance is payable only to the beneficiary nominated by the member at the time of retirement. If the beneficiary is deceased, no survivor's allowance is payable except the accrued allowance and the insurance benefits, if any.

38.2 GROUP HOSPITALIZATION, MEDICAL-SURGICAL, AND STATE HEALTH BENEFITS INSURANCE DEDUCTIONS—After the death of a retirant, monthly benefits may be payable to a widow or widower; if the retirant was covered by the Pensioners' or the State Health Benefits group programs as established for retired members of the State systems, and if he had elected a Family or Husband and Wife contract, the surviving spouse may continue such deductions on an individual basis under the pensioners' group plans. However, the surviving spouse and the retirant who is eligible for coverage under the Federal Medicare Program must elect such coverage in order to be able to continue their group health insurance.

39. WITHDRAWAL BENEFITS—Any member who withdraws from service or ceases to be a member as prescribed by the statute for any cause other than death or retirement may receive all of his contributions to the system which have been credited to his account.

The Claims Section processes withdrawal applications of the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, and Police and Firemen's Retirement System. The withdrawal applications for the State Police Retirement System are processed by the Police and Firemen's Pension Fund Bureau.

39.1 ELIGIBILITY—If a member satisfies the conditions prescribed by the statutes concerning withdrawal from service, upon the filing of a proper withdrawal application he is permitted to withdraw his contributions. No withdrawal claims, however, will be honored until the member has resigned his position. Moreover, withdrawal is not permitted while a member is on leave of absence or receiving Workers' Compensation benefits in that an employee-employer relationship is deemed to be continued.

39.2 INTEREST—In addition to his contributions, a member of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund may receive interest earned on his monies in the system upon the withdrawal of such contributions.

In the Teachers' Pension and Annuity Fund interest is credited upon withdrawal at 4 percent to July 1, 1944, and 2 percent thereafter, provided, however, that no interest is payable after January 1, 1956, if the withdrawing member does not have 3 years of membership credit at the time he terminates service.

In the Public Employees' Retirement System interest is credited upon withdrawal at 4 percent to July 1, 1944, and 2 percent thereafter,

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provided, however, that no interest is payable after August 1, 1966, if the withdrawing member does not have 3 years of membership credit at the time he terminates service.

39.3 MILITARY SERVICE CONTRIBUTIONS—In most State-administered retirement systems a veteran member is not entitled to withdraw any of the contributions made in his behalf by his employer during the period of a military leave of absence unless he shall have returned to employment and contributed to the retirement system for a period of at least 90 days. In the event a member does not return to public service such military leave contributions are credited to the Contingent Reserve Fund of each system.

39.4 INACTIVE MEMBERSHIP—Any member of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, the Police and Firemen's Retirement System, and the State Police Retirement System resigning his position may leave his contributions with the system and continue in an inactive status for a period of 2 years.

Interest is credited to the account for a 2-year period if he had contributed for at least 3 years as a member of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund prior to his inactive status.

If a member of the Teachers' Pension and Annuity Fund or Public Employees' Retirement System is granted an official leave of absence for more than 2 years, his membership may remain inactive during the period of the leave for a maximum period of 5 years. If the member's employment terminates through no fault of his own (layoff, abolishment of position), he may remain inactive for a maximum period of 5 years. A request for the extension of an inactive status must be submitted to the Claims Section before the expiration of the member's account, and the request must be accompanied by a certification from the employer establishing that the member is on an official leave of absence.

Before an account is actually expired, notices are sent to the employee as well as to the employer. While Expiration Notices are sent to the employee by the Division, the employer should forward the employee's copy of the Expiration Notice which he receives from our office to the employee by certified mail, return receipt requested. This is necessary since the employee's current mailing address is usually contained in the employer's records. It is imperative that an employer send the employee's copy of the Expiration Notice to him at the last address shown in the employer's records, since failure to notify the employee of the pending expiration of his account may jeopardize his eligibility for retirement benefits.

Should any member who becomes inactive and who has not withdrawn his contributions return to active service before the expiration of membership, his account will be reactivated at the same rate of

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contribution and with the same service credit established at the time his service ceased. However, the period during which he was inactive will constitute a break in the continuity of the service credit being accumulated towards retirement.

39.5 INACTIVE MEMBERSHIP AND LOANS—Any member contemplating a resignation should appreciate that he will not be entitled to any partial return of his contributions to the system since there is no provision for partial withdrawals. Very often an employee contemplating a termination of his public position may want to retain the privilege of inactive membership but still may need funds in the period when he leaves employment to take another position. Such a member may be eligible to borrow from the system, in those systems which permit loans, and should apply for a loan while he is still on the payroll and contributing to the system.

The loan obligation will be established and upon his termination of employment will constitute a liability against his account which may be rescheduled for repayment at the time of his return to a position covered by the retirement system. However, it must be clear that no loan can be granted once the member has already terminated his service or is on a leave of absence without pay.

39.6 INTERFUND TRANSFERS—When a member terminates his employment and accepts a position covered by another pension fund administered by the New Jersey Division of Pensions, he has the right to apply for the transfer of the credit established in the previous employment. Employees who are interested in effecting such a transfer should inquire before contempleting a withdrawal application. The inquiry should be made at the office of the Division of Pensions.

39.7 DISMISSED FROM SERVICE—A withdrawal claim cannot be paid if a member of the retirement system has been dismissed and is appealing his dismissal. The State Civil Service Commission is contacted when a member is dismissed by an employer covered by the merit system in order to determine whether the member did or will appeal his dismissal to the Civil Service Commission. In the Teachers' Pension and Annuity Fund the office of the State Commissioner of Education is contacted, whereas all local employers who are not covered by civil service are contacted to determine whether a dismissed employee did or will appeal his dismissal. If an appeal has been filed, the withdrawal cannot be processed until a decision is rendered by the Civil Service Commission, the State Department of Education, the employer, or the courts.

If the dismissal is upheld, the withdrawal application will be processed and the member's contributions will be refunded to him. In the event the member is reinstated to his position and accepts reemployment, the withdrawal application will be canceled and contributions to

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the retirement system will be resumed on the same basis they were applicable prior to the member's dismissal. In the event any retroactive salary is awarded to the employee covering the period in which he received no wages, the employer must deduct contributions due the retirement system, and they will be credited to the member's account covering the hiatus period.

40.1 COMPLETING THE WITHDRAWAL APPLICATION—The withdrawal applications of all retirement systems are very similar. In the first part of the form the member makes application for the withdrawal of his contributions. In the second part the employer certifies deductions in the lag period or the last three quarterly reporting periods ending with the quarter of termination. On the reverse side of the form, instructions are indicated reviewing the conditions under which a withdrawal is permitted, the continuance of inactive membership, the payment of military service contributions, group life insurance conversion, and the transfer of employment privileges.

The following items are to be completed by the applicant:

a. NAME—Insert full name using first, middle, and last name.

b. MEMBERSHIP NUMBER—This is the number assigned to each member of the retirement system; it may contain 4, 5, or 6 digits.

c. DATE OF MEMBER'S BIRTH—Insert month, day, and year.

d. SOCIAL SECURITY NUMBER—This number must contain 9 digits.

e. REASON FOR SEPARATION—The member must indicate whether he resigned or was dismissed or any other reason for the separation.

f. POSITION AND EMPLOYER—Indicate the title of the position which was held and the name of the employing agency or institution.

g. WORKERS' COMPENSATION—The member must indicate whether he is receiving periodic payments under Workers' Compensation as a result of an injury incurred in the public service. Such a member cannot withdraw since he is considered an "employee" while he is in receipt of such payments. In most systems employers are required to pay the pension contribution that the employee would have made if he had continued as an active contributing member.

h. SIGNATURE AND ADDRESS—The member will sign, in ink, his full name and indicate the address to which his withdrawal check is to be mailed.

i. CERTIFICATION—The withdrawal application must be executed before an individual who is authorized by law to administer oaths.

40.2 CERTIFICATION OF EMPLOYING AGENCY—The employer is notified that in order to avoid a delay in the payment of the withdrawal claim his certification for the lag period will be used to calculate the

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payment due. He is therefore instructed not to execute and return this form until the last deduction from salary has been made. By combining his certification to the contributions which have been credited to the member's account, the retirement system will make full payment to the employee without awaiting actual receipt of monies due the account. It is therefore absolutely essential that the employer certify only exactly what he has deducted. If his later reports of deductions taken for this member do not agree with his certification given on the member's withdrawal application, any difference will have to be explained. If the difference resulted in an overpayment to the member, the employer is obligated for these monies.

In his certification the employer must ascertain that all of the information completed by the employee is correct. The importance of properly identifying the member cannot be overstated, since pension contributions will be withdrawn from the account and a check sent to the member identified on the withdrawal application. After the information identifying the member has been verified, the employer will indicate the date of the separation, the period in which the last salary deduction was made, and whether the employee is receiving periodic benefits under Workers' Compensation. He will also indicate if military leave deductions were contributed by the employing agency since January 1, 1955, detailing the amount and the period such military leave contributions covered. He will then complete the portion of the application which resembles the Quarterly Report of Contributions so that he will certify contributions in the lag period which will be identical to the contributions he did or will report. In this way there should be no difference between the certification as it appears on the withdrawal application and the reports of contributions to be filed after the withdrawal claim has been signed.

He then signs the form indicating the full name of the employing agency and the county in which it is located.

40.3 SUPPLEMENTAL BIWEEKLY CERTIFICATION OF EMPLOYING AGENCY—As the State Centralized Payroll Unit reports the members of the retirement systems through the media of magnetic tape rather than through Quarterly Reports of Contributions, a special form has been designed to obtain the certification of the lag period. This form is used in supplementing the employer's certification of the withdrawal application and in lieu of some information requested by the certification of service and final salary as employed at retirement, as well as in supplementing the employer's certification in the case of a death claim.

The State payroll clerks complete the certification, denoting the system to which it is applicable, indicating the specific use of the form in connection with either a withdrawal, retirement, or death claim. The clerk then certifies information taken from the biweekly payrolls for the

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last 13 payroll periods and also indicates the date of the last pension deduction.

40.4 PROCESSING OF APPLICATION—The Claims Section records the receipt of these applications. The applications are reviewed to determine if they have been properly completed and that the wages and pension contributions indicated for lag periods are reasonable when compared to previous quarters.

Incomplete applications and certifications which are not reasonable will not be processed, and the employer will be advised accordingly. Upon receipt of the requested information from the employer, the application will be processed for payment. Withdrawal applications that have been properly completed are forwarded to Data Processing where checks are drawn as authorized by the Disbursement Section.

The member receives a statement of his contributions as well as the interest which was paid, if any. He will need this statement for income tax purposes.

40.5 CLOSING OF ACCOUNTS—As a result of a withdrawal application for the return of the member's contributions, the account is closed, and a withdrawal number is assigned to the member's account. The member's withdrawal application; data processing printout of the contributions with interest, if any, to be refunded; and preprinted withdrawal number label are forwarded to the Records Section. The Records Section notes the withdrawal number on the member's 3 X 5 identification card, as well as the membership register, and places the withdrawal number label on the member's file.

40.6 UNCLAIMED ACCOUNTS—In the event a member does not file an application for withdrawal before the expiration of the account, the contributions and interest, if payable, are transferred to the Unclaimed Accounts Fund.

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RETIREMENT AND CLAIMS

LOANS

41. LOANS, TEACHERS' PENSION AND ANNUITY FUND, PUBLIC EMPLOYEES' RETIREMENT SYSTEM, STATE POLICE RETIREMENT SYSTEM, AND POLICE AND FIREMEN'S RETIREMENT SYSTEM—The Loan Section is responsible for the processing of all loan applications received from members of the four State systems which provide for member loans.

41.1 CONDITIONS GOVERNING LOANS—

a. A member must have 3 years of membership credit posted to his account for which he has made contributions.

b. Fifty per cent of the amount posted in the member's account, in multiples of $10, is the maximum loan available.

c. Minimum deduction toward repayment of a loan must equal the full normal contribution made by the member. This is determined by multiplying the salary at the time of the loan by the full percent rate of contribution.

d. The maximum amount a person may pay toward the repayment of a loan is 25 percent of gross salary, and the maximum period of time over which a loan may be scheduled is 10 years.

e. All loans must be paid in full by members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System by age 60, and no person over age 60 is eligible for a loan. All members of the State Police and the Police and Firemen's Retirement Systems must pay their loans in full by age 55, and members of these systems cannot borrow once they attain age 55.

f. Interest is charged at the rate of 4 percent per annum on the unpaid balance.

g. Not more than two loans will be granted in any calendar year.

h. A member, upon his return from an official leave of absence, will be permitted to borrow when contributions are being received and posted to his account.

41.2 COMPLETING THE LOAN FORM—The loan form of the four systems is similar. On the face of the form the member makes his application for a loan. On the reverse side entitled "Loan Worksheet," the Loan Section will make the required calculations.

The following items are to be completed by the applicant:

a. NAME—Insert full name using first, middle, and last name.

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b. DATE OF MEMBER'S BIRTH—Insert month, day, and year.

c. MEMBERSHIP NUMBER—This is the number assigned to each member of the retirement system. It may contain four, five, or six digits.

d. SOCIAL SECURITY NUMBER—This number must contain nine digits.

e. ADDRESS—The member will indicate, in ink, his address to which his loan check is to be mailed.

f. AMOUNT OF LOAN REQUESTED—The member enters here the amount desired. The loan cannot exceed 50 percent of the member's contributions in the retirement system as such contributions are currently reflected in the accounting records of the Division of Pensions. If the amount requested is in excess of 50 percent of the member's contributions, the amount of the request will be reduced to 50 percent and the member will be accordingly notified. Loans are made in multiples of 10 dollars.

g. PAYMENT REQUESTED—The member may pay as much as he desires in liquidating his loan but such extra deductions cannot exceed 25 percent of salary. On the other hand, the minimum deduction for the repayment of the loan must be at least equal to the member's full rate of contribution.

h. SIGNATURE—The member will sign his full name in ink.

i. EMPLOYED BY—The member will indicate in this item the name of his employer and the county in which his employer is located, as well as the title of his position. This information will enable the Loan Section to certify loan repayment deductions to the member's employer.

j. NOTARIZATION—The loan application must be executed before an individual who is authorized by law to administer oaths.

41.3 PAYMENT AGAINST LOAN PRIOR TO COMPLETION—The member may at any time make a lump sum payment against the total value of his loan obligation in order to terminate loan deductions from his pay check. If a member wishes to terminate an obligation, he should contact the Loan Section in order to determine the present value of the loan as of the date the member intends to forward a lump sum payment. In this manner the Loan Section will notify the member of the amount that is required to terminate the obligation.

41.4 REVALUATION OF LOAN SCHEDULE—If a member is off the payroll for a period greater than 8 months, any outstanding loan must be revalued and additional interest charged. All repayments of loans and revalued loans are certified to begin the first of any month.

41.5 CALCULATION OF ADDITIONAL LOAN—As members may borrow twice in a calendar year, it is possible for them to have a loan obligation upon the application for a second loan. In this event the

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present value of the first loan is calculated and added to the new loan. The resulting increased obligation will be scheduled in the same manner and subject to the same conditions as the original loan.

41.6 CERTIFICATION OF PAYROLL DEDUCTIONS, DISTRIBUTION—Two copies of the Certification of Payroll Deductions are sent to the employer. One copy of the payroll deduction schedule is maintained by the employer, and a copy of the form is given to the employee for his records.

41.7 CERTIFICATION OF PAYROLL DEDUCTIONS—The information which appears on the certification relative to the loan repayment schedule is as follows:

a. ALL DEDUCTIONS BEGIN—This is the date that loan payments begin.

b. LOAN SCHEDULE—This shows the amount per payment and the number of deductions which will be required to repay the loan.

c. TOTAL AMOUNT—This reflects the total resulting from computing the number of payments by the amount per payment.

d. LOAN INTEREST—Interest on loans is calculated at the rate of 4 percent per annum on the declining balance. The principal amount of the loan as well as the amount of interest that will be paid by the member during the scheduled repayment period is identified on the certification. The interest information enables the member to determine the interest charge for income tax purposes.

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RETIREMENT AND CLAIMS

HEARINGS

42. HEARINGS—Controversies may arise from decisions of any board or commission or of an administrative agency of the Division. When this happens, the member or his attorney may file a request with the system or the Division for a hearing. Normally the applicant has 45 days from the date of the written notice of the decision to file an appeal. Assuming that the request is timely, the board or commission or the Division may authorize the hearing. If so, the case is referred to the Office of Administrative Law.

The Office of Administrative Law arranges for a hearing date, time, and place. The hearing is conducted by an Administrative Law Judge who, upon completion of the hearing, and within 45 days thereafter, prepares an initial decision containing findings of fact and analysis of law.

Copies of the initial decision are sent to all interested parties who have 7 days in which to file written notice of exceptions. Upon expiration of the 7 days, the entire record is forwarded to the board or commission or the Division, as the case may be.

The board or commission or the Division makes the final administrative decision. It may accept, modify, or reject the initial decision of the Administrative Law Judge. All parties are notified of such final decision. If the petitioner is dissatisfied with such final decision, he may take an appeal to the Appellate Division of the Superior Court of New Jersey.

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ADJUSTMENTS

43. THE ADJUSTMENT SECTION—In the Office of the Chief Accountant this section authorizes revisions in the actuarial, financial, and other records of the several pension funds administered by the Division. These are usually caused by corrections and changes in basic data or conditions.

43.1 CONTRIBUTION RATE AND SALARY CHANGES—These usually require a recalculation of the member's account from its inception and result in additional charges or refunds and an adjustment of interest. Rate changes arise most frequently from:

(a) Birth Date Changes—A review of dates of birth frequently results in a correction of the data originally indicated on the member's enrollment application.

(b) Changes in Age—Revision of the original age established at enrollment upon submission of proofs.

(c) Enrollment Date Changes—These result from revisions in veteran status or upon other advice.

(d) Delayed Enrollment Changes—Revision of the enrollment date requires adjustment of the charges made to the employer, in addition to the usual adjustments resulting from enrollment date changes.

(e) Rate Corrections—Adjustment of incorrect rate used at enrollment.

(f) Salary Changes—Incorrect reports of salaries require calculations of amounts due to or from members. The proper salary is verified with the employer.

43.2 DUPLICATE AND MULTIPLE ENROLLMENTS—

Duplicates: Failure at enrollment to indicate that the person is already a member results in changes of rates, transfers of contributions and service from the duplicate account to the original account, and the calculations of refunds due to the members.

Multiples: These are cases which arise from failure to state on the enrollment application that the individual is a member at another location or locations. It is necessary to combine all contributions into a single account, make the necessary adjustments in rates, and calculate refunds or additional contributions required.

43.3 CASH DISCOUNTS AND RECERTIFICATION OF ARREARS—Members having an obligation to the funds payable in installments often request the right to prepay. In this event allowance is made for the interest on the unpaid balance, and the net amount payable is de-

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termined. If paid, satisfaction of the obligation is acknowledged. No more than two such requests will be honored for any member in 1 year.

Where a member has an existing installment obligation and incurs an additional obligation, the new and old schedules are combined. This requires the calculation of the discounted value of the old obligation, adding the new one to it, establishing a revised installment schedule, and recertification to the employer.

43.4 INTRAFUND AND INTERFUND TRANSFERS—Adjustments arise as a result of transfers from local to State employment. An existing arrears schedule from the quarterly local location must be transferred to the biweekly State location and the proper amount of installment determined. These are often combined with current back deductions.

Transfer of membership from one of the pension funds to another requires the transfer of the member's account and of the reserves from one system to another. The member's contributions must be recalculated and the appropriate adjustment made with member when required. It is also necessary to write to the Actuary to advise him of all the pertinent data in order to effect the appropriate transfer of the reserves. The actuarial and financial data pertaining to the transfer is verified at this time.

43.5 ARREARS INTEREST ADJUSTMENTS—Most arrearages in the Teachers' Pension and Annuity Fund for the cost of conversion from Class "A" to Class "B" status and for the purchase of prior service were scheduled on the basis of the payment of ten installments annually. Where payments were made on the basis of twelve payments annually, credits or refunds are due to the member.

44. MISCELLANEOUS ADJUSTMENT—Adjustment of the following is effected by the Adjustment Section:

a. Changes in member's status, such as veteran, law enforcement officer, etc., required by changes in law.

b. Correction of bad balances.

c. Corrections or changes authorized by the board of trustees.

d. Changes in interest rate.

e. Commutation of rates.

f. Computation and authorization of prior service credit.

g. Correction and revision of certifications to employers.

h. Cancellation of certification of members' obligations due to prepayment or adjustment.

i. Reactivation of records of members' accounts upon reinstatement from suspense.

j. Other adjustments to members' accounts as required.

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RECORDS

45. RECORDS SECTION—All of the membership records and files maintained by the Division of Pensions for the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, the Alternate Benefit Programs, and the Supplemental Annuity Collective Trust are maintained by this section. The following sets forth in detail the types of records maintained and the work involved in connection with such files.

46.1 INDEX CARD FILES—These files are in constant use since this is the first record which must be examined in order to obtain membership number, if unknown, in order to locate the member's folder.

The files contain cards for each active, inactive, retired, withdrawn, and deceased member of the retirement systems. The cards are prepared by Data Processing along with the establishment of other basic records such as the actuarial data and the Certification of Pension Deductions. As a member's status changes, the Records Section updates the card denoting the retirement, withdrawal, or death.

46.2 INDEX CARD FILE, DATA—The index cards contain the following information: member's full name, membership number, date of birth, location or district, sex of the member, enrollment date, social security number, and separation numbers.

47.1 MEMBERSHIP FILES—Separate files are maintained containing the individual membership folders of the several systems.

47.2 MEMBERSHIP FILES, METHOD AND EQUIPMENT—The membership folders are filed on open shelf equipment employing the terminal digit filing system. These files include active and retired folders. Since there is a duplication of numbers in these categories, the retirement folders are coded.

47.3 MEMBERSHIP FILES, TERMINAL DIGIT FILING—The terminal digit filing system is merely reversed numerical filing in which groups of figures are read from right to left instead of from left to right. The method is neither difficult nor confusing. For example, in the conventional numerical filing system, number 130,443 would be filed between 130,442 and 130,444. Under the terminal digit filing, the number is categorized into three groups of digits. The final group is the first two digits, 13; the secondary is the next two digits, 04; the terminal or primary group is the last two digits, 43. Filing by the terminal or primary position, a folder numbered 130,443 would, therefore, be filed between numbers 120,443 and 140,443.

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This filing system is employed because of its unique application to a file of considerable volume (5,000 folders) in a broken numerical sequence. In addition there are other advantages. The data which are received for filing in membership folders and refile folders come to the Records Section in no particular numerical sequence. The presort for terminal digit requires only that the material be grouped by the terminal or primary numbers. Any given amount of new material will affect each terminal equally and will be distributed through the entire file.

Misfiling is considerably reduced because fewer numbers have to be read to determine the exact location of the folder. The aid of prepared guides makes proper filing more likely. The unorthodox method of reading numbers in pairs from right to left requires more attention to the reading of such numbers. The equal distribution of material in each terminal also makes possible an even distribution of work among the employees of the Records Section.

47.4 MEMBERSHIP FILES, OPEN SHELF STORAGE—The voluminous and ever-growing files of the Pension Division require that attention be paid to the cost of adequate space for their storage. The need for expansion of such space prescribed that consideration go beyond closed filing cabinets. Open shelves require considerably less space than filing cabinets for the same amount of material. Additionally, open shelf filing reduces fatigue among employees since they are not required to open and close drawers, and it improves housekeeping of records since shortcomings are immediately obvious.

47.5 MEMBERSHIP FILES, OUTSTANDING FOLDERS—As is the case of most other central filing systems, the Records Section has the problem of prolonged retention of membership folders by the administrative bureaus. There is, therefore, a constant maintenance of the integrity of the membership files by regularly scheduled inventory.

47.6 MEMBERSHIP FILES, COMPOSITION—The composition of the membership folders of the respective systems has been formalized along parallel lines. On the left-hand side all correspondence in the form of letters is stapled in chronological order. On the right-hand side all forms, worksheets, certifications, reports, applications, etc., are stapled in a prearranged sequence and topped by a data sheet which relates the history of the member in capsule form as contained in the folder.

Accounting records prepared by Data Processing as of the end of the calendar year 1970 are also stapled in each folder.

48.1 RECORDS RETENTION SCHEDULE—As provided in the State Records Act a record retention schedule is promulgated by the State Records Supervisor as approved by the Records Committee for all employee benefit programs administered by the Pension Division. The

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disposition of any record must meet the requirements of the retention schedule and receive the approval of the State Records Supervisor.

For the most part those records with a permanent life represent the master set of actuarial records, annual reports, minutes, and accounting records of each program. Other records have periods of retention which correspond to audits performed by the State Department of Insurance. As the volume of records to be maintained permanently has grown the Pension Division has accelerated its use of microfilm for storage purposes.

48.2 MICROFILM FILES—The Records Section maintains microfilm files for the several systems. The records are placed on microfilm as quickly as the Division is permitted to do so by law. Current accounting records are now converted to microfilm immediately from tape.

On microfilm are maintained all of the registers of active, retired, and deceased members and withdrawal cases. Also on microfilm are ledger cards, contribution reports, and the records of the former Teachers' Retirement Fund and of the former Board of Education Employees' Pension Fund of Hudson County.

A duplicate copy of all microfilm records is on file in a remote fireproof facility which is protected from radioactivity.

49.1 MEMBERSHIP ACCOUNTING FILES—The accounting records for each membership in the several retirement systems are maintained by Data Processing. At the end of each calendar quarter a COM-generated microfilm is produced and distributed to the bureaus as the visual source of each account status. At the beginning of each succeeding quarter when a new visual account summary is prepared, the master copy is forwarded to a fireproof facility which is protected from radioactivity. Cartridges of the outdated accounting information are returned to the Treasury Department where they are emptied and the cartridges reused.

49.2 CONTRIBUTION REPORT FILE—These files are not maintained by the Records Section except after they have been microfilmed. All reports yet to be microfilmed are the responsibility of the Contributions Accounting Bureau.

49.3 TEACHERS' RETIREMENT FUND FILE—This file contains the only record of contributions made by members of the former Teachers' Retirement Fund.

49.4 CHANGE OF NAMES AND ADDRESSES—The Records Section is responsible for changing all of the records for active and retired members of the several systems for name and address changes. Notification of such a change is received in the form of a letter, affidavit, or tabulated listing.

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49.5 TRANSFERS—The Records Section must alter the employer given on the index card and file the transfer form in the membership folder.

49.6 WITHDRAWALS—The Records Section has the responsibility of maintaining the membership folder of a withdrawing member and marking the proper index card.

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CONTRIBUTIONS ACCOUNTING REPORTING PROCEDURE

50. REPORTING PROCEDURE—Given below is the procedure for the reporting and remittance of deductions for members of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System.

The reporting procedure is particularized for these major systems. However, with respect to other programs, please see 139 for the Consolidated Police and Firemen's Pension Fund, 133 for the State Police Retirement System, 136.21 for the Prison Officers' Pension Fund, 88.1 for the Judicial Retirement System, 63.1 for Social Security, 102.2 and 107.5 for the Supplemental Variable Annuity Program, 116 for the State Health Benefits Program, and 144 for the Alternate Benefit Programs.

50.1 REMITTANCES—Pensions, contributory insurance, Supplemental Annuity, and Tax-Sheltered Annuity payroll deductions are remitted monthly with monthly and quarterly transmittal forms. These are sent to each reporting group in duplicate with the Quarterly Report. The original copy of each transmittal must be signed and returned by the indicated due date with appropriate remittances or a delinquency notice will be mailed. The statutes provide that an interest charge of 6 percent per annum must be levied against any employer who does not promptly remit employee pension contributions or who does not report within 15 days of the respective due date.

50.2 MONTHLY REMITTANCES AND COMPLETION OF THE MONTHLY TRANSMITTAL OF CONTRIBUTIONS—Pension deductions are remitted in one check covering all payroll deductions for the preceding month for pension contributions, back deductions, loan repayments, and arrears and/or purchases for all certified members of the system. The check is made payable to the proper system or fund—"Teachers' Pension and Annuity Fund"—"Public Employees' Retirement System"—"Police and Firemen's Retirement System." Social security tax deductions, contributory insurance deductions, Supplemental Annuity deductions or Tax-Sheltered Annuity reductions are not to be included in this check.

The due date for the receipt of pension deductions is the 10th of the month for the Teachers' Pension and Annuity Fund, Public Employees' Retirement System, and the Police and Firemen's Retirement System covering payroll deductions for the preceding month. The check is to be accompanied by the "Monthly Transmittal of Contributions" form

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addressed to the Division of Pensions, P.O. Box 2058, Trenton, N.J. 08625. The green-bordered, self-addressed envelope which is sent to each employer each quarter should be used for this purpose.

Contributory life insurance deductions are remitted by a separate check amounting to a percentage of the total base salaries for the preceding month for all members of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund who are enrolled in the contributory life insurance programs. The check is made payable to the appropriate one of the following: "Public Employees' Retirement System, Contributory Group Insurance Premium Fund" or "Teachers' Pension and Annuity Fund, Contributory Group Insurance Premium Fund."

The due date for the receipt of contributory life insurance deductions is the 10th of the month covering payroll deductions for contributory insurance for the preceding month. The check is to be mailed with the check for the pension deductions accompanied by the "Monthly Transmittal of Contributions" form.

Supplemental Annuity deductions are remitted in a separate check, and they represent deductions taken the preceding month from all members who are enrolled in the Supplemental Annuity Program. Checks should be in full dollar amounts (no cents), and they should be made payable to the appropriate one of the following: "Public Employees' Retirement System, Supplemental Annuity" or "Teachers' Pension and Annuity Fund, Supplemental Annuity" or "Police and Firemen's Retirement System, Supplemental Annuity."

The due date for the receipt of Supplemental Annuity deductions is the 10th of the month covering payroll deductions for Supplemental Annuity for the preceding month. The check is to be mailed with the checks for pension and insurance deductions accompanied by the "Monthly Transmittal of Contributions" form.

The Tax-Sheltered Supplemental Annuity Program is open to eligible members of the Teachers' Pension and Annuity Fund and members of the Public Employees' Retirement System who are employed by boards of education. A salary reduction agreement must be in effect and contributions certified before contributions are to be made.

The contributions are remitted in a separate check, and they represent salary reductions of the preceding month for all members who are enrolled in the Tax-Sheltered Supplemental Annuity Program. Checks should be in full dollar amounts (no cents), and they should be made payable to "Supplemental Annuity Collective Trust-Tax-Sheltered."

The due date for receipt of such Supplemental Annuity contributions is the 10th of the month covering payroll deductions for Tax-Sheltered Supplemental Annuity for the preceding month. The check is

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to be mailed with the checks for pension and insurance deductions accompanied by the "Monthly Transmittal of Contributions" form.

50.3 SIGNATURES—The Monthly Transmittals of Contributions as well as the Quarterly Report of Contributions require the signature of the certifying officer of the group. Any reports which are not signed will be returned. Please ascertain before mailing that the checks covering such remittances contain all of the required signatures. Moreover, before mailing, care must be taken to note that the proper line on the transmittal form has been completed and that the transmittal form is for the appropriate month. Please use the green-bordered, self-addressed envelopes.

51. QUARTERLY REMITTANCES—Payroll deductions for pension, contributory insurance, Supplemental Annuity, and Tax-Sheltered Supplemental Annuity for the third month of each calendar quarter are to be remitted by the 10th of the month following the close of the calendar quarter for the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System. However, unlike the transmittals prepared for the first and second months of the quarter, the transmittal for the third month is to be accompanied by the Quarterly Report of Contributions. The transmittals forwarded each month must be delineated and totaled for the quarter.

Checks for pension deductions, contributory life insurance, Supplemental Annuity, and Tax-Sheltered Supplemental Annuity must accompany the quarterly transmittal reflecting the deductions taken in the third month. These deductions should be in an amount sufficient to reconcile the remittances for the quarter to the totals indicated on the Quarterly Report.

52. QUARTERLY REPORT OF CONTRIBUTIONS—Each reporting entity is required to remit checks monthly to the Division of Pensions, one check covering all pension deductions (including pension contributions, back deductions, arrears and/or purchases, and loan repayments) for all members of the retirement system, another check covering all payroll deductions for contributory insurance for members of the system who are enrolled in the contributory insurance program, a third check covering all payroll deductions for members of the system who are enrolled in the Supplemental Annuity Program, and a fourth check covering all payroll deductions for members of the system who are enrolled in the Tax-Sheltered Supplemental Annuity Program. No detailed analysis of the monthly remittances is submitted to the Division. The Division credits the individual member's account quarterly on the basis of the Quarterly Report of Contributions.

The Quarterly Report of Contributions is prepared by the Division on data processing equipment. It is a projection of the probable liability of each member for the current quarter. The report reflects the most

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recent salary information available to the Division and will include all members who have been certified as members in a location as the result of the enrollment of a new employee or the transfer of a member from another location.

Please do not add any name on the Quarterly Report, with the following exceptions. If a member goes on leave of absence or terminates employment but does not terminate membership in the system and returns to the same employer within 2 years, the member's name and full line entry should be written on the report with an appropriate statement in the "Remarks" column. If there was a balance due on a loan or on arrears and/or purchases at the time the leave began, and the leave does not extend beyond several months, the employer should resume payments on such obligations when the member returns to the payroll. Please do not file a new enrollment application for a member who returns from a leave under the circumstances described above.

If through oversight the employer does not add the member's name to the Quarterly Report during the quarter in which he returns to employment, then the employer must add the member's name to the report for the following quarter for amounts due that quarter. In addition the employer should send a letter explaining when the member returned and that the member was not added to the prior report through error. The monthly base wage to which the member was entitled covering the period unreported should be included. The employer may compute the additional deductions due and remit these with the letter or send the letter only and the Division will compute the amount of additional deductions due. After the money is received, the member will be given proper service credit.

The Quarterly Report (in duplicate) will be sent to each location by the 10th of the third month of each calendar quarter, and the original, or white copy, must be filed with the Division by the 10th of the following month in the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System. For example, the Quarterly Report for the first quarter of the calendar year, covering the months of January, February, and March, will be sent to the location by March 10 and must be filed on or before April 10 for the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System.

The Quarterly Report is not a bill. It is as close to being a bill as the Division can possibly make it, but it must be remembered that it is primarily based on salary information applicable to the preceding quarter. It is the responsibility of the reporting entity to correct the report to reflect current base salary information, months of service credit in the system for the quarter, termination of employment of members because of death, resignation, etc. Unless quarterly base salaries have

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changed since the previous quarter, very few changes in the report will be necessary.

52.1 THE HEADING OF THE QUARTERLY REPORT OF CONTRIBUTIONS

(a) CALENDAR QUARTER—In the upper left hand corner of the Quarterly Report, the calendar quarter and year will be printed. For example, the third calendar quarter covering the months of July, August, and September of 1980 will appear as 380.

(b) REPORTING AGENCY—The name of the location and the employer code number assigned by the Division will appear in the upper left hand corner and the employer code number on the lower left hand corner of every page of the report.

(c) CERTIFICATION—In the upper right hand corner of the first page of the report, the certifying officer must sign the report and certify that the report is a correct report of deductions taken on base salaries of members of the system employed in his location. Unsigned reports will be considered incomplete and will be returned.

52.2 THE COLUMNS OF THE QUARTERLY REPORT OF CONTRIBUTIONS:

52.21 COLUMN 1, "DUAL"—A letter, "A," "B," "C," etc., printed in this column indicates that the member is a multiple enrollee, i.e., is or has been employed by two or more locations concurrently.

Multiple positions create a special problem in determining the amount to be deducted by each employer for pension purposes. The pension contribution for all members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund is computed at the full rate of contribution less 2 percent on base salary under the social security maximum and at the full rate on base salary in excess of the maximum social security wages for the balance of the year.

The employer has no difficulty in computing the current pension deduction for employees who hold only one position because the employer is paying the entire salary and knows when the maximum salary figure is reached. However, in the case of multiple enrollees, one employer has no knowledge of the salary paid to the same individual by other employers.

In order to enable employers and employees to correctly determine, in advance, the amount to be deducted from the base pay of multiple enrollees for pension purposes (in the position not identified by the letter "F" in column 11 of the Quarterly Report) multiple enrollees should pay:

(a) A pension contribution calculated at the full rate less 2 percent of base salary under the maximum wages subject to social security in the year in this position and at the full rate on all base salary in excess of the

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maximum in this position for the year. This credit does not apply to members of the Police and Firemen's Retirement System.

(b) The employee's share of the social security tax for the year.

In all other positions (such positions will be identified by the letter "F" in column 11 of the Quarterly Report) multiple enrollees should pay:

(a) A pension contribution calculated at the full rate on all base salary. No reduction or credit is established in such positions.

(b) The employee's share of the social security tax for the year.

For example, in 1980 an individual who is an employee in location A at a monthly salary of $2,500 and who is also an employee of location B at a monthly salary of $100 and has a full rate of contribution of 6 percent will have in location A payroll deductions for pension of $100 a month through October, $132 in November, and $150 in December. For social security the deduction would be $153.25 a month through October and $55.17 in November at which time the $25,900 social security maximum will be reached in location A. In location B the member will pay $6 a month for pension and $6.13 for social security.

At the end of the calendar year the employee will receive W-2's from locations A and B showing social security tax deductions of $1,587.67 and $73.56, respectively. The employee will be entitled to a refund or credit from Internal Revenue of the $73.56 social security tax overpayment when he files his 1980 income tax return.

Also, at the end of the calendar year the Division of Pensions will determine the multiple enrollee's contributions due to the system on the basis of the combined base salaries report by all employers. In some instances the employee will then be paid a refund by the Division for excessive pension contributions. However, in the example given above, the pension contribution has been correctly paid, and no adjustment is necessary. The combined salaries of $31,200 at a full credit of $518 (2 percent of $25,900, the maximum wages subject to social security in the year 1980) results in a pension liability of $1,354. This amount was paid by location A and location B in the respective amounts of $1,282 and $72 for the total of $1,354.

52.22 COLUMN 2, "MEMBERSHIP NUMBER"—The individual employee's membership number in the system is a 4, 5, or 6 digit number. Once assigned, the same membership number remains with the employee during his active membership in the system even though he transfers to another location. However, if the employee leaves employment and withdraws his contributions from the system, or is inactive for more than 2 years, his membership will be terminated. If he subsequently returns to employment, he must file a new enrollment application and will then receive a new membership number.

52.23 COLUMN 3, "NAME"—In this column appears the member's last name, first name, and middle initial. If an employee changes her

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name through marriage or other legal means, please cross out the printed name, enter (print or type) the correct name immediately above it, and explain the change in column 19, "Remarks." The complete name may not be printed by the Division because of space limitations. However, the name and membership number as shown will provide exact identification of the member's account. It is important to show correct spelling of names because the members are listed alphabetically on the Quarterly Reports.

52.24 COLUMN 4, "P" OR "F"—"P" identifies a Policeman and "F" identifies a Fireman member of the Police and Firemen's Retirement System.

52.25 COLUMN 5, "10/12"—This column will show either a "10" or a "12" indicating whether the member is paid 10 or 12 months a year. A 10-month employee is presumed to earn one-tenth of his base salary in each of the months September to June, inclusive. A 10-month member who is on a "Summer Payment Plan," whereby part of each of his pays is placed into an Escrow Account to be available to pay him during the following July and August, must be reported as a 10-month employee. One-tenth of his contractual salary for each month from September of one year through June of the following year should be shown on the report of contributions. A 12-month employee will be presumed to earn one-twelfth of his base salary in each of the months July to June, inclusive. If an employee is paid on an 11-month basis, he must be reported to the Division and pension deductions must be computed on either a 10- or 12-month basis.

52.26 COLUMN 6, "ACCUMULATED BASE SALARY THROUGH PRIOR PERIODS (DOLLARS)"—

(a) Normally—This column reflects the accumulated base salary reported to the Division for prior quarters of the calendar year. The report for the first quarter of the calendar year will therefore contain nothing in this column. It should be noted that accumulated base salary through prior quarters will not be the same as total wages (for social security tax purposes) if the employee received extra pay or had absence deductions in prior quarters. Please do not alter the entry in this column. This entry reflects the base salary for which the member was credited in prior quarters, and a change by the location will not alter the contribution records for prior quarters.

(b) New Enrollments—The "Accumulated Base Salary" column will show base salary from date of enrollment or the beginning of the calendar year, whichever is later, to the first of the month in which pension deductions are certified to begin. For example, an employee was appointed September 1 at a 10-month salary of $760 monthly. Upon receipt of the enrollment application the Division certifies that deductions should begin in November. Accordingly, this employee's name will

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not appear on the report of contributions for the third quarter but in the fourth quarter report and column 6 will reflect $1,520, the base salary for the 2 months, September and October (i.e., from date of enrollment to the effective date of certification).

In the event the employee begins employment on or before the 16th day of any month, he will be enrolled as of the first of that month. In the event the starting date was the 17th to the end of the month, he would be enrolled as of the first of the following month and no accumulated base salary would be shown for the beginning month of employment; no service credit will be given for such part of a month, nor will a back deduction be scheduled therefor. Accumulated base salary will be shown covering only those months in the calendar year during which the employee held membership.

(c) Transfers—For employees who transfer to another employer, column 6 of the report will reflect the sum of:

(1) Base salary from date of employment by the new employer to the effective date of certification (similar to paragraph "(b)" above for new enrollments) and

(2) Base salary reported in prior quarters of the calendar year by the previous employer.

In the case of a transferring employee the new employer must apply the full rate in computing the pension contribution when the total base salary in the calendar year reaches the maximum wage level subject to social security in that year, even though part of such base salary was paid by another employer.

52.27 COLUMN 7, "MONTHS"—In this column appears the number of months of pension service credit in the calendar quarter. In most instances "3" will appear in this column indicating that the member receives credit for all 3 months in the quarter. However, there are the following exceptions:

(a) All 10-month members will have a "1" in this column in the third calendar quarter of the year because they do not work July and August, but do work only the 1 month of September. However, 3 months of service credit will be granted for the quarter.

(b) If an individual terminates employment before the close of the calendar quarter, this column should be changed to show either 1 or 2 months credit, as appropriate. Only full months of service will be credited. For example, if a member left employment on February 5, but received sufficient salary in February to pay a full month's total pension deduction, column 7 should show "2" and 2 months' base salary should be shown in column 8. If he did not receive sufficient salary to pay the pension contribution for February, show "1" in column 7 and 1 month's base salary in column 8 for the month of January.

(c) If pension deductions are scheduled to begin in any month other

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than the first month of a calendar quarter, "1" or "2" months will appear in column 7. For example, if the Division receives an enrollment application in March, it may be certified in April stating that pension deductions should begin in May. In such a case, column 7 on the second quarter report will correctly show "2," indicating current service credit for May and June. Credit for April was given when the back deduction was certified. In this instance please do not change columns 7 and 8.

(d) If a member was on leave without pay for part of a calendar quarter, please indicate whether he worked and is paying contributions for 1 or 2 months of service credit in such quarter.

(e) Block "B" on the bottom of the last page must be corrected if any changes were made in column 7.

52.28 COLUMN 8, "BASE SALARY SUBJECT TO CONTRIBUTIONS THIS QUARTER"—This column will be printed on the basis of information available to the Division from the report of the previous quarter or from a report of salary changes for the first or third quarters of the calendar year. If the printed amount is not correct, please change column 8 to reflect the correct base salary for the quarter. Do not change column 8 because of partial-month absence deductions or because of extra pay. Pension contributions and retirement allowances are computed on base pay, not total cash wages. For 12-month employees, column 8 will reflect 3 months' base salary or one-quarter of the annual contractual salary each quarter. For 10-month employees column 8 will reflect three-tenths of the annual base salary each quarter except the third quarter of the calendar year when one-tenth of the annual base salary should be reported.

(a) Termination of Employment During Calendar Quarter—Please change column 8 to the base salary for the months the employee worked and for which he contributed, but only on the basis of a full month's salary. For example, if an employee resigned, retired, or died on December 10, show 3 full months' base salary in column 8 and remit a pension contribution based on such full quarterly salary. If you have not deducted for December, change column 7 to "2 months," show 2 months' base salary in column 8, and pay the appropriate pension contribution for 2 months.

(b) Enrollment During Calendar Quarter—If the Division certifies that pension deductions should begin in any month other than the first month in a calendar quarter, November for example, the Quarterly Report will show 2 months in column 7 and base salary for only November and December in column 8. If the employee worked September and October, pension contributions and months of service credit for those months were granted when back deductions were scheduled. In such an instance, do not show a full quarter's salary in column 8.

(c) Retroactive Salary Increase—As explained in the instructions for column 8 on the back of the Quarterly Report of Contributions, please

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change column 8 to reflect the new salary for the current quarter plus the additional base salary covering the retroactive period. For example, a 12-month employee had a monthly base salary of $400 at the beginning of the calendar year. In May he received an increase to $420 a month retroactive to January 1. On the Quarterly Report for the second quarter, leave column 6 at $1,200, change column 8 to $1,320 to reflect the sum of (1) the current quarter salary of $1,260 and (2) the $60 retroactive salary increase not reported in the first quarter. In the "Remarks" column 19, a statement should be made "Salary third quarter, $1,260." The Division's projection of salary on the report for the third quarter will reflect $1,260. In any event, if for any reason the correct base salary does not appear in column 8 of the following report, it must be changed by the location.

(d) Weekly or Biweekly Pay—All employers, regardless of whether they pay their employees monthly, semimonthly, weekly, or biweekly, must report "quarterly" base salaries to the retirement system and pay pension contributions applicable to such quarterly salaries.

52.29 COLUMN 9—This column is omitted from current reports. It was used to distinguish different rates of contributory insurance premiums among members and may be so employed again.

52.30 COLUMN 10, "FULL RATE %"—This is the percentage rate of contribution assigned to each member. This rate normally does not change during the member's active membership in the system. The "full rate" shown on the report must be reduced by 2 percent (as distinguished from the social security tax rate) in determining the pension contribution on the accumulation of base salary in a calendar year up to the maximum wage level subject to social security in that year (calendar year rather than school or fiscal year) in the Teachers' Pension and Annuity Fund and Public Employees' Retirement System. On base salary in excess of the maximum wage level subject to social security in a calendar year the "full rate" determines the pension contribution.

52.31 COLUMN 11, "M," "F," "W"—An "M" in this column indicates that the member is on military leave of absence from the location. In such case the employer must pay the pension contributions computed at the full rate, shown in column 10 of the report, on the base salary effective at the beginning of the leave. Since no wages are paid by the employer during the leave, there is no social security tax deduction.

An "F" in this column identifies members for whom pension contributions must be computed at the full rate. This usually applies to multiple enrollees reported by secondary locations following the member's prior enrollment.

A "W" in this column identifies members receiving periodic benefits from Workers' Compensation; the employer is liable for pension con-

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tributions at the full rate based upon salary effective at the beginning of the leave. See section 59 for additional information.

52.32 COLUMN 12, "PENSION CONTRIBUTION"—The pension contribution is the regular deduction for the purchase of current service credit. It is computed as follows:

(a) On the accumulation of base salary in a calendar year up to the maximum wage level subject to social security in that year (calendar year rather than school or fiscal year), multiply the base salary by the full rate (column 10 of the Quarterly Report) less 2 percent in the Teachers' Pension and Annuity Fund and Public Employees' Retirement System. There is no 2 percent credit in Police and Firemen's Retirement System.

(b) On base salary in excess of the maximum wage level subject to social security in the calendar year, multiply base salary by the full rate (column 10 of the Quarterly Report). The full rate is used on all base salary earned in Police and Firemen's Retirement System.

For example, in the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, an employee, on a 12-month contract, has a 1980 calendar year base salary of $31,200. Assuming that his full rate is 6 percent, his pension contributions for the 1980 calendar year are computed as follows:

	BASE SALARY		PENSION CONTRIBUTIONS		
MONTHS	MONTHLY	QUARTERLY	CALCULATION	MONTHLY	QUARTERLY
January	$2,600		$2,600 X 4%	$ 104	
February	2,600		2,600 X 4%	104	
March	2,600	$ 7,800	2,600 X 4%	104	$ 312
April	2,600		2,600 X 4%	104	
May	2,600		2,600 X 4%	104	
June	2,600	7,800	2,600 X 4%	104	312
July	2,600		2,600 X 4%	104	
August	2,600		2,600 X 4%	104	
September	2,600	7,800	2,600 X 4%	104	312
October	2,600		2,500 X 4%		
			100 X 6%	106	
November	2,600		2,600 X 6%	156	
December	2,600	7,800	2,600 X 6%	156	418
Total	$31,200	$31,200		$1,354	$1,354

The monthly deductions for January through September are computed on the monthly base salary of $2,600 times 4% (full rate of 6% less 2%).

(c) In October the employee reaches the social security "crossover" in base salary, $25,900 in the year 1980. His base salary, January to September inclusive, was $23,400. Therefore, in October, his $2,600 monthly base salary is subject to a pension contribution computed at the net rate of 4 percent on $2,500 and full rate of 6 percent of the balance of $100.

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Deductions from an employee's pay because of excessive absences decrease the social security tax deduction but do not affect the pension contribution. The pension contribution is computed on BASE PAY whereas the social security tax deduction is computed on total CASH WAGES. In the example given above, the January social security tax deduction would be $159.38 ($2,600 X 6.13%) and the pension contribution $104 ($2,600 X 4%) if the employee received his total base salary and had no deduction for absence. However, if $100 had been deducted from his January pay for absences, his social security tax would have been $153.25 ($2,500 X 6.13%), but his pension contribution would still be $104; the pension contribution is computed on base salary which is still $2,600 even though actual cash wages were less than $2,600.

Conversely, extra pay for overtime, bonus, etc., will increase the social security tax deduction but does not in any way affect the pension contribution.

If an employee receives extra pay or has a deduction for absence at any time during the calendar year, the employer must watch two accumulations (one for pension and one for social security purposes). When total wages equal the maximum wages subject to social security tax in a calendar year, the social security tax deduction ceases. When base salary equals the maximum wage level subject to social security for that calendar year, the pension contribution is computed at the full rate. It is entirely possible, therefore, that an employee's actual salary accumulation will be greater than his base salary accumulation because of extra pay. However, actual salary may be less than base salary due to unpaid absence periods in prior months.

Employers who pay employees weekly or biweekly will have different salary accumulations even though the employee has no extra pay or absence deductions. This occurs because the accumulation for social security tax includes actual wages paid each quarter and these vary based on the number of pay periods in the particular quarter. For pension purposes accumulations occur evenly within a quarter and equally for every quarter unless there is a full month's absence or there is a salary change.

52.33 COLUMN 13, "BACK DEDUCTIONS"—Back deductions are short-term, extra pension deductions covering the months from the date of enrollment to the certified date of the first regular pension deduction. Back deductions may be certified for a new member or for a member transferring from another location.

For example, if an employee began working in a location in September and the Division certified that the first deduction for pension should be taken in the following January, back deductions would be certified as extra deductions to be taken in the months of January through April, inclusive, to cover the 4 months' service credit for September through December.

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In the months of January through April the employee must pay the regular pension contribution based on his current rate and base salary and, in addition, the specific amount of the back deduction that was certified. Payment of back deductions should be in strict accordance with the monthly amount and in the specific months that were certified. However, if the employee wishes to pay the full balance of the liability for back deductions, the employer may remit full payment after the date payroll deductions were certified to begin.

On the Quarterly Report the following will be projected in column 13:

(a) Number of payments—The number of monthly payments due at the beginning of the calendar quarter which is necessary to liquidate the entire back deduction obligation.

(b) Amount—The total amount to be paid for back deductions in the quarter in accordance with the certification.

For example, assuming that an employee was enrolled as of September, and the Division certified on the enrollment application that the first pension deduction should be made in the following January with back deductions of $10 a month in the months of January through April inclusive, column 13 of the Quarterly Report for the first quarter would show:

(a) Number of payments—4

(b) Amount—$30

The Quarterly Report for the second quarter would show:

(a) Number of payments—1

(b) Amount—$10

The report for the second quarter thus indicates that back deductions are fully paid by the payment of one back deduction in April, the first month of the quarter. In reports for subsequent quarters this column would be blank.

Back deductions must be paid exactly as certified or the entire obligation paid in a lump sum. As an example it would have been acceptable for the employer to delete the $30 back deduction shown in column 13 of the first quarter and in its place substitute $40 if this had been collected.

52.34 COLUMN 14, "LOAN REPAYMENTS"—Members with 3 years of membership credit may borrow from the system and repay the loan, with interest of 4 percent on the unpaid balance, through payroll deductions. There is a limit of two loans per calendar year.

Loans must be repaid by extra payroll deductions at least equal to the member's full rate times base salary. For example, an employee has a base salary of $500 a month and a full rate of 6 percent. The minimum

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monthly loan repayment is $30 ($500 base salary times full rate of 6 percent).

A member may apply for a loan by filing the appropriate application form. The Division, after approving the loan, will issue a check to the member and will certify to the district that the loan is to be repaid in a certain number of monthly payments of a particular amount. Repayment will be scheduled to begin on a specific date.

The repayment of the loan will be projected on the Quarterly Report and should not be changed. The loan should be repaid in the exact monthly amount that is certified.

The only time the amount shown in column 14 may be changed is in the case of a person who was absent for 1 or more months of the quarter and, therefore, received no pay from which to make the deduction for the repayment of the loan. In such case column 14 may be changed to exactly one-third of the printed amount if the employee worked 1 month or exactly two-thirds if he worked 2 months in the quarter. This column also shows the total number of payments due at the beginning of the quarter. (Columns 7 and 8 of the Quartertly Report would also have to be changed in these instances to reflect 1 or 2 months service credit and 1 or 2 months base salary.)

Loans will be certified and scheduled for repayment on the basis of 10 monthly installments for 10-month members and 12 monthly installments for 12-month members.

The number of monthly payments remaining at the beginning of the calender quarter which are necessary to liquidate the entire loan obligation is also shown unless the member obtained a new loan recently. Then the amount of the loan shown on the report in column 14 may represent different single loan payments in varying combinations.

52.35 COLUMN 15, "ARREARS AND/OR PURCHASES"— Members of the system may elect to buy credit, by extra certified payroll deductions, for previous public service. Such purchase will be scheduled and certified to the employer, indicating a particular monthly deduction for a specified period of time.

The deductions will normally be certified to begin with the first month of a calendar quarter. The correct quarterly payment will be projected on the Quarterly Report and column 15 should not normally be changed. Column 15 may be changed only if the member should, in that case, be changed to one-third or two-thirds of the printed amount, as appropriate, reflecting corresponding changes in columns 7 and 8.

Also included in this column is the total number of monthly payments still due as of the beginning of the calendar quarter.

52.36 COLUMN 16, "TOTAL PENSION DEDUCTIONS"—Column 16 is the sum of column 12, "Pension Contribution;" column 13, "Back Deductions;" column 14, "Loan Deductions;" and column 15, "Arrears

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and/or Purchases" for each member in a location. The amount shown in this column is the total cash that will be credited to the member's pension account for the calendar quarter.

52.37 COLUMN 17, "CONTRIBUTORY DEATH BENEFIT DEDUCTIONS"—An amount will appear in this column for each member covered under the contributory insurance program. For example, in 1980 the normal deduction will show the amount of 0.5 percent of the salary appearing in column 8 for members of the Public Employees' Retirement System (those members who enrolled under Chapters 72 and 390, P.L. 1979, will have a 0.75 percent rate) and 0.4 percent for members of the Teachers' Pension and Annuity Fund. However, for new enrollees and transferees the amount shown represents all the premiums due from the date insurance is effective as shown on the certification, to the end of the quarter in which the name of the member first appears on the report of contributions. For those members who filed a properly executed contributory insurance withdrawal application during the quarter, premiums will be due only to the date of termination.

Membership in the contributory group insurance program is generally compulsory for new members of the systems for the first year. To terminate membership in this program a member must sign the "Notice of Withdrawal from Contributory Group Life Insurance" form and the employer is to file it with the Division. The completed form must be in the possession of the Division of Pensions on or before the day termination is to be effective and this can be only on the last day of a month. The Division will send an acknowledgement letter upon receipt of such withdrawal application.

52.38 COLUMN 18, "SUPPLEMENTAL ANNUITY"—All individuals who are members of the Supplemental Annuity Programs are identified by a digit in the percent rate column. For those individuals who are not making current contributions, the digit "0" is shown. For all other members of the Supplemental Annuity Programs a rate of percent (10 percent maximum) appears in this column and, in addition, a full dollar amount appears next to it in the "Amount" column. The amount is computed by multiplying the salary shown in column 8 by the percent rate shown in column 18 and rounding. Rounding consists of dropping any amounts of less than $0.50 and increasing amounts of $0.50 or more to the next dollar.

A member of these programs is permitted to change his rate of contribution by completing the proper form. This form must be submitted at least 30 days in advance of the calendar quarter in which change is requested. In effect he may discontinue contributions by changing his rate to "0."

All members of the Teachers' Pension and Annuity Fund and members of the Public Employees' Retirement System who are employ-

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ees of public educational institutions and school districts are eligible to participate in the Tax-Sheltered Supplemental Annuity Program, and they are identified on the report of contributions by the words "Tax-Sheltered" which appears in the "Remarks" column of the report. While deductions reported for Supplemental Annuity will be printed on the same line as all other data pertaining to a particular member, the percentage of salary reduction and the dollar amount reported for the quarter will be printed directly under the regular Supplemental Annuity amount or directly under the space where the regular Supplemental Annuity amount is normally printed.

A member of this program must execute with his employer a salary reduction agreement which will remain in effect at least 1 year. He may not change his rate of reduction, but he could discontinue contributions during this period. The combined rate for Supplemental Annuity and Tax-Sheltered Supplemental Annuity may not exceed 10 percent.

52.39 COLUMN 19, "REMARKS"—A detailed explanation of any changes in the report should be given in this column. Please give the specific action and the date of the action. For example, for a change in salary show "New quarterly salary $1,250, 12 months, effective January 1, 1980." Termination in service might be noted as "Resigned January 30, 1980," or "Retired July 1, 1980." Leaves of absence should be fully detailed. Please note that if a member terminated employment (death, resignation, transfer, etc.) during a calendar quarter, and made pension contributions for 1, 2, or 3 months in such quarter, his name will not appear on the next Quarterly Report. The Division will identify in the "Remarks" column members receiving Workers' Compensation, transfers, new enrollments, and members of the Public Employee' Retirement System who have a premium rate of 0.75 percent because they were enrolled in the contributory group insurance under Chapter 72, P.L. 1979. This column should also be used if the employer wants a different salary shown on the next report. In this event he must show the salary which he wants projected on the next Quarterly Report.

53. "TOTAL" BLOCKS FOR NUMBER OF MEMBERS AND MONTHS OF SERVICE CREDIT:

53.11 BLOCK "A," NUMBER OF MEMBERS—Total of all members who paid contributions as reflected on the report.

53.12 BLOCK "B," TOTAL MONTHS—Total number of months of service credit to be given to members listed on the report. Ten-month members, although working only 1 month in the third quarter, receive 3 months of service credit.

53.20 "TOTAL" BLOCKS FOR PENSION CONTRIBUTIONS:

53.21 BLOCK "C," TOTAL PENSION CONTRIBUTIONS—Total of all pension contributions in column 12 of the report.

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53.22 BLOCK "D," TOTAL BACK DEDUCTIONS—Total of all back deductions in column 13 of the report.

53.23 BLOCK "E," TOTAL LOAN DEDUCTIONS—Total of all loan payments in column 14 of the report.

53.24 BLOCK "F," TOTAL ARREARS AND/OR PURCHASES—Total of all arrears and/or purchases in column 15 of the report.

53.25 BLOCK "G," TOTAL PENSION DEDUCTIONS—Total of all entiries in column 16 of the report. The report should be crossfooted and the entry in block "G" should be the total of the amounts shown in blocks "C," "D," "E," and "F." The correct amount shown in block "G" must agree with the total cash remitted for the calendar quarter for pension deductions; it does not include remittances for social security, contributory life insurance, Supplemental Annuity, or Tax-Sheltered Supplemental Annuity.

53.26 BLOCK "H," TOTAL CONTRIBUTORY DEATH BENEFIT DEDUCTIONS—The total of all contributory insurance premiums due as shown in column 17.

53.27 BLOCK "I," SUPPLEMENTAL ANNUITY—The total of all Supplemental Annuity deductions shown in column 18. This amount must be in full dollar amounts.

53.28 BLOCK "J"—The total of all Tax-Sheltered Supplemental Annuity reductions included in column 18. This amount must be in full dollar amounts.

53.3 PAGE TOTALS AND GRAND TOTALS—The totals of columns 12 to 18 inclusive are shown as page totals on each page of the report. If changes must be made because of retirement, death, etc., page totals should be helpful in checking the corrected grand total which will appear only on the last page of the report. At the bottom left corner of the last page, the total of salaries shown on the report is given.

Before submitting a Quarterly Report of Contributions, please be certain that:

(a) The grand total of block "G" on the last page of the report is the correct sum of the individual entries in column 16 of the report.

(b) The grand total of block "G" on the last page of the report is the amount shown on the quarterly transmittal.

(c) The amount of the check (payable to either the "Public Employees' Retirement System," "Teachers' Pension and Annuity Fund," or "Police and Firemen's Retirement System") remitted with the Quarterly Report is the same as the amount shown on line 3, column 1, of the quarterly transmittal.

(d) The grand total of block "H" on the last page of the report is the correct sum of the individual entries in column 17 of the report.

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(e) The grand total of block "H" on the last page of the report is the amount shown on the quarterly transmittal.

(f) The amount of the check (payable to either the "Teachers' Pension and Annuity Fund" or "Public Employees' Retirement System, Contributory Insurance Premium Fund") remitted with the Quarterly Report is the same as the amount shown on line 3, column 2, of the quarterly transmittal.

(g) The grand total of block "I" on the last page of the report is the correct sum of the individual Supplemental Annuity entries in column 18 of the report.

(h) The grand total of block "I" on the last page of the report is the amount shown on the quarterly transmittal.

(i) The amount of the check (payable to either the "Teachers' Pension and Annuity Fund-"; "Police and Firemen's Retirement System-"; or "Public Employees' Retirement System-Supplemental Annuity") remitted with the Quarterly Report is the same as the amount shown on line 3 of the quarterly transmittal.

(j) The grand total of block "J" on the last page of the report is the correct sum of the individual Tax-Sheltered Supplemental Annuity entries in column 18 of the report.

(k) The grand total of block "J" on the last page of the report is the amount shown on the quarterly transmittal.

(l) The amount of the check (payable to the "Supplemental Annuity Collective Trust—Tax-Sheltered") remitted with the Quarterly Report is the same as the amount shown on line 3 of the quarterly transmittal.

54. REPORTING TECHNIQUES—There are problems related to quarterly reports which are unique and therefore require some detailed explanation. Such matters include penny breakage, contributory insurance for members age 70 or older, leaves of absence and the definition, computation and reporting of base salary.

54.1 PENNY BREAKAGE—In some instances the total deductions from a member's salary will differ from the quarterly printed total deduction for a particular member by a few cents. The Division applies the appropriate rate to the quarterly base salary while the employer may apply the rate to a semimonthly or biweekly salary and total the six deductions in the quarter. It may also be caused by the employer's understandable attempt to have the same deduction in each of 6 semimonthly or biweekly payroll periods, even though the quarterly total is not evenly divisible by 6.

It is suggested that some of the penny differences may be avoided by applying the appropriate rate to the quarterly base salary and dividing the result by 3, 6 or whatever the number of payrolls in the quarter may be.

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The Division asks that the report not be changed if the printed deduction differs from the payroll deduction by a few cents for an individual member. Some will be more and others less than the printed amount. Please remit the printed amount and absorb any total excess in the employer's payroll account by applying it toward payment of the employer's share of the social security tax liability.

54.2 CONTRIBUTORY INSURANCE, MEMBERS AGE 70 OR OLDER—No payroll deductions are to be made from the salary of an employee who had contributory insurance coverage prior to attaining age 70 and who remains in service after attaining age 70. The statutes provide that the cost of the contributory insurance for such employees shall be paid by the employer.

The cost of this insurance to the employer is a specific percentage of base salary in the Public Employees' Retirement System and in the Teachers' Pension and Annuity Fund. It is suggested that provision be made in future budgets for the cost of contributory insurance for any employee who has contributory insurance coverage if he is to be retained after he has attained age 70.

Contributory insurance premiums are remitted monthly and reported quarterly to the Division on the Quarterly Report of Contributions; this procedure is not applicable after an employee attains age 70.

As soon as a member attains age 70, the Division of Pensions will bill the employer for the cost of the contributory insurance coverage for the balance of the calendar year. Upon receipt of such bill please verify the accuracy of the salary and promptly return a copy of the bill together with a check payable to the "Public Employees' Retirement System, Contributory Group Insurance Premium Fund" or "Teachers' Pension and Annuity Fund, Contributory Group Insurance Premium Fund." Payments are to be made in advance for such coverage, and the employer may claim a refund if the member leaves active service before the end of the year.

For example, a male employee with an annual base salary of $6,000 attains age 70 in February 1980. On the Quarterly Report of Contributions for the first quarter, please indicate in the "Remarks" column that the member attained age 70 in February, and that his salary subject to contributory insurance for January is $500. A premium in the Public Employees' Retirement System or in the Teachers' Pension and Annuity Fund should have been deducted from his pay and remitted with the monthly transmittal for January. The Division will bill the employer for $93.50 or 1.7 percent of base salary for February through December for members of the Public Employees' Retirement System. For members of the Teachers' Pension and Annuity Fund the amount would be $24 at the 0.4 percent rate.

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54.3 LEAVES OF ABSENCE WITHOUT PAY, NO PENSION CREDIT—If an employee is on leave of absence without pay (other than military leave and Workers' Compensation), the employer is not permitted to remit pension contributions for the employee during the period of the leave. The employee's name should be deleted from the Quarterly Report of Contributions when the leave begins and added to the report by the employer when the employee returns from the leave of absence. The employee will receive no service credit for the period of the leave unless he arranges to buy such service credit.

However, if the employer has granted an official leave of absence for illness, maternity, or other reason, it is important that a certified copy of the employee's leave resolution be promptly filed with the retirement system indicating the reason for the leave and its duration.

A member's non-contributory group life insurance coverage will continue in full force during the following approved leaves of absence without pay: (a) While receiving periodic benefits under Workers' Compensation or similar law; (b) Up to 2 years while on official leave for personal illness other than illness to which (a) above applies; (c) Up to 1 year while on official leave for the member's maternity; (d) Up to 1 year (1) to fulfill a residency requirement for an advanced degree or (2) as a full-time student at an institution of higher education; (e) Up to 93 days while on official leave for reasons other than illness; (f) During the time a member's claim for disability retirement benefits is being processed provided the claim was filed within 30 days of the member's termination of active service.

No insurance contributions are required to continue contributory insurance coverage during the periods of approved leave in (b), (c), or (f) for members of the Public Employees' Retirement System and also (a) above for members of the Teachers' Pension and Annuity Fund; contributions will be required to continue coverage for the periods set forth in (d) and (e) for members of the Teachers' Fund and (a), (d), and (e) for members of the Public Employees' Retirement System.

Premiums are due at the beginning of the month covering that month of leave. Special forms for the personal remittance of monthly contributory insurance premiums are available on request. Payments may be made by personal check or money order computed at the specific percentage of the monthly base salary in effect at the time the leave begins.

It is extremely important that the employer inform a member who is on official leave of absence that he may convert to a private insurance policy within 31 days after the coverage, outlined above, terminates if he wants to continue insurance coverage without a medical examination.

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54.4 LEAVES OF ABSENCE WITHOUT PAY, WITH PENSION CREDIT—

(a) Workers' Compensation—Please see 59 for a full discussion of the effect of Workers' Compensation in the operation of the retirement and other employee benefit programs. However, while an employee who is receiving periodic benefits under Workers' Compensation is not considered on leave of absence, he very often does not receive supplemental income; yet in the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System, the member receives full service credit; the employer is required to make monthly, regular pension contributions. In these cases the pension contribution is calculated at the full rate of contribution on all base salary in effect at the time of injury. The employer is not liable for contributory insurance, loan, arrears, back deductions, or Supplemental Annuity payments.

An employee who is covered under the contributory insurance program in the Public Employees' Retirement System may continue this coverage by making arrangements with his employer whereby the employee will pay to the employer the premiums which the employer in turn will forward to the Division of Pensions as a part of the regular monthly remittances. The insurance premium would continue to be included on the Quarterly Report. If this arrangement is not practical, the member may continue coverage by making personal remittances directly to the Division of Pensions, using a personal remittance form.

(b) Military Leave—Regulations concerning pension and insurance deductions vary and depend upon which of the following types of leaves are involved.

1. Military Leave of Absence Without Pay—The member receives full service credit; the employer is required to make monthly, regular pension contributions reflected on the Quarterly Report of Contributions. In these cases the pension contribution is calculated at the full rate of contribution on all base salary in effect at the start of the leave. The employer is not liable for contributory insurance, loan, arrears, back deductions, or Supplemental Annuity payments.

August 1, 1974, is the termination date of the Viet Nam Conflict and as such, an employer is not liable for the pension contributions if the employee enters military service after this date; the employer may not make payments on an optional basis, and the member receives no pension credit for such leave. The employer continues to be liable for the pension contributions of a member on an approved leave of absence having entered the military service before August 1, 1974, and being on his initial tour of duty. (See also 12.5, 19.1, and 19.4.)

2. Active Duty for Training for 3 to 6 Months—This refers to the special enlistment program to aid the strength of the ready reserve for an initial period of active duty for training of not less than 3 months nor

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more than 6 months. The member's name should be deleted from the report of contributions. The employer is not liable for any pension contributions.

(c) All Other Official Leaves of Absence Without Pay—Pension contributions may not be remitted by the employer or employee with the Quarterly Report of Contributions during the period of the member's leave of absence. The Purchase Section of the Division of Pensions determines if service credit may be purchased and the cost of such purchase. The purchase arrangement must be made within 1 year after the member returns to active employment.

54.5 LEAVES OF ABSENCE, WITH PAY—In the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund, the employee is considered as continuing an active employment for all purposes as long as he receives cash wages which are sufficient to meet the cost of pension, contributory insurance, and social security contributions for a period of 6 months. After the 6-month period the member who is granted a leave of absence at a salary of 50 percent or more of contractual or base salary at the time the leave began is subject to the total pension deduction (pension contribution, loans, arrears, insurance, etc.) and must be reported on the Quarterly Report of Contributions for the period of the leave based on such salary. However, after the 6-month period, if a member is granted a leave of absence at a salary of less than 50 percent of the contractual or base salary at the time the leave began, no further contributions can be received, and he will be considered on leave of absence without pay.

55. BASE SALARY, DEFINITION—

(a) Base salary is the contractual salary of the member and must be reported to the retirement system in 10 or 12 equal monthly installments: 10 if the member is paid by a school district in the months of September through June; 12 if the member is paid in each month of the calendar year.

(b) Base salary is the salary on which retirement benefits are computed and also is the salary on which pension, contributory insurance, and Supplemental Annuity deductions are to be calculated.

(c) Base salary does include the value of maintenance, but it does not include bonuses, overtime pay, or extra pay for extra services such as coaching, department head, or summer school work or longevity pay given in a lump sum, terminal accumulated sick leave or vacation pay given in a lump sum. It does not include retroactive or other salary adjustments unless as a result of a general salary change for all personnel. It does not include extraordinary increases in salary in expectation of a member's contemplated retirement or death. It therefore does not include additional remuneration for performing temporary or

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extracurricular duties beyond the regular work day or the regular work year.

(d) Base salary is not to be reduced by nominal pay decreases for absences of any portion of a month as long as the net pay is sufficient to cover the total pension deduction for the month. If, in any month, the net pay is not sufficient to cover the total pension deduction, no base salary is reported for that month and the member does not receive pension service credit for the month.

(e) Estimated base salary should be used if a member's salary changes each quarter or each year. For example, where the member's salary includes fees which are received on a seasonal basis, the annual salary should be divided by 12, and 3 months of the estimated salary reported each quarter. A similar circumstance would pertain to part-time employees such as adjunct faculty members.

(f) The salary of a professional employee or officer, to the extent of a regular fixed salary (retainer) covering services directly attributable to the functioning of the public office, is considered as base wage for pension purposes. Examples of work performed in a statutory office or position include attendance at meetings of the governing body, preparation of simple resolutions and other work related to such meetings, and some day-to-day routine advice. However, compensation for professional services normally billed on a fee basis for each item of work performed in addition to the accepted statutory responsibilities for the government office is not considered as base wages for pension purposes. Examples of work which is not normally considered as performed in the office or position include preparation of detailed opinion letters, the drafting of complex and involved ordinances and contracts, and the conduct of litigation.

(g) A 10-month employee is presumed to earn one-tenth of his base salary in each of the months September to June, inclusive. A 10-month member who is on a "Summer Payment Plan," whereby part of each of his pays is placed into an escrow account to be available to pay him during the following July and August, must be reported as a 10-month employee. One-tenth of his contractual salary for each month from September of one year through June of the following year should be shown on the report of contributions.

56.1 BASE SALARY, COMPUTATION—

(a) Base Salary for Hourly, Daily, or Weekly Rate Employees—If employees are paid at an hourly rate, daily rate, or weekly rate of pay, it is the responsibility of the employer to estimate an annual base salary on the basis of the rate of pay and the "normal" work year. For example, an employee who has an hourly rate of pay of $2 and a work week of 40 hours for 52 weeks of the year has an annual base salary for pension purposes of $4,160.

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(b) The Quarterly Base Salary should be computed as follows:

(1) Twelve-Month Employees—Report one-fourth of the annual contractual salary, rounded to the nearest dollar, in each calendar quarter.

For example, a 12-month employee, on a calendar year contract of $6,050, is reported as follows:

Three-twelfths of $6,050 equals $1,512.50. Therefore, by rounding to the nearest dollar, $1,513 base salary is reported in each quarter of the calendar year.

A 12-month employee must be reported by a school district over the 12-month period of July 1 of one year through June 30 of the following year. He may *not* be reported over a 12-month period beginning September 1 of one and ending August 31 of the following year. N.J.S.A. 18A:29.3 explains the summer payment plan.

(2) Ten-Month Employees—In the third calendar quarter, school districts should report one-tenth of the annual salary, rounded to the nearest dollar, and in the other calendar quarters, three-tenths of the annual salary.

A July-June school year salary of $6,050 for a 10-month employee is reported as follows:

3rd calendar quarter	1/10	$ 605
4th calendar quarter	3/10	1,815
1st calendar quarter	3/10	1,815
2nd calendar quarter	3/10	1,815

(3) A 12-month employee, on a calendar year salary of $5,200, payable $200 biweekly, is reported as follows:

One-fourth of $5,200 equals $1,300. One-quarter of the annual base salary is reported each quarter even though the employee may receive six biweekly pays ($1,200) in 2 quarters of the calendar year and seven biweekly pays ($1,400) in 2 quarters of the calendar year.

56.2 BASE SALARY, QUARTERLY REPORTING—Although an employer pays his employees weekly or biweekly, quarterly base salaries must be reported on the Quarterly Report of Contributions and pension deductions must be computed on the basis of a "quarterly" salary.

For example, an employee who has an annual salary of $11,700, payable in 26 biweekly pays of $450 each, must be reported on the Quarterly Report at a "quarterly" salary of $2,925 (1/4 X $11,700) in each calendar quarter even though he may actually receive only six biweekly pays, or a total of $2,700 in the calendar quarter. He will probably receive six biweekly pays in each of the two calendar quarters and seven biweekly pays in the other two calendar quarters of the year but, for pension purposes, the "quarterly" salary of $2,925 is reported.

It is suggested that pension deductions, computed on the "quarter-

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ly" salary, be deducted from the employee's pay on only six biweekly payrolls in the quarter and that no pension deduction be made on the seventh biweekly payroll that falls in any calendar quarter.

Similarly, if employees are paid on a weekly payroll, we suggest that pension deductions, computed on a "quarterly" salary, be deducted from the employees' pay on the first twelve payrolls falling in a calendar quarter with no pension deduction in the thirteenth (or fourteenth) payroll of a calendar quarter.

Social security tax deductions, however, must be computed on the bases of actual cash wages paid during a calendar quarter.

Assuming that an employee has an annual 1980 base salary of $31,200, payable in 26 biweekly pays, and a full pension rate of 6 percent, pension and social security tax deductions should be made as illustrated below. A separate chart is given for the Police and Firemen's Retirement System.

56.3(a) SAMPLE, QUARTERLY REPORTING

TEACHER'S PENSION AND ANNUITY FUND
AND
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Calendar Quarter	Payroll Number	Biweekly Salary	Pension Deduction	Social Security Tax Deduction	See Note Below
	1	$ 1,200	$52.00	$ 73.56	
	2	1,200	52.00	73.56	
	3	1,200	52.00	73.56	
First	4	1,200	52.00	73.56	
	5	1,200	52.00	73.56	
	6	1,200	52.00	73.56	
	7	1,200	52.00	73.56	
	8	1,200	52.00	73.56	
	9	1,200	52.00	73.56	
Second	10	1,200	52.00	73.56	
	11	1,200	52.00	73.56	
	12	1,200	52.00	73.56	
	13	1,200	None	73.56	2
	14	1,200	52.00	73.56	
	15	1,200	52.00	73.56	
	16	1,200	52.00	73.56	
Third	17	1,200	52.00	73.56	
	18	1,200	52.00	73.56	
	19	1,200	52.00	73.56	
	20	1,200	52.00	73.56	
	21	1,200	54.00	73.56	3
	22	1,200	78.00	42.91	
Fourth	23	1,200	78.00	None	
	24	1,200	78.00	None	
	25	1,200	78.00	None	
	26	1,200	None	None	2
Total		$31,200	$1,354.00	$1,587.67	4

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56.3(b) SAMPLE, QUARTERLY REPORTING

POLICE AND FIREMEN'S RETIREMENT SYSTEM

Calendar Quarter	Payroll Number	Biweekly Salary	Pension Deduction	See Note Below
	1	$ 1,200	$ 78.00	1
	2	1,200	78.00	
	3	1,200	78.00	
First	4	1,200	78.00	
	5	1,200	78.00	
	6	1,200	78.00	
	7	1,200	78.00	
	8	1,200	78.00	
	9	1,200	78.00	
Second	10	1,200	78.00	
	11	1,200	78.00	
	12	1,200	78.00	
	13	1,200	None	2
	14	1,200	78.00	
	15	1,200	78.00	
	16	1,200	78.00	
Third	17	1,200	78.00	
	18	1,200	78.00	
	19	1,200	78.00	
	20	1,200	78.00	
	21	1,200	78.00	
	22	1,200	78.00	
Fourth	23	1,200	78.00	
	24	1,200	78.00	
	25	1,200	78.00	
	26	1,200	None	2
Total		$31,200	$1,872.00	4

NOTE 1—Police and Firemen's Retirement System pension deductions are computed at the full rate of 6 percent times quarterly salary of $7,800, i.e., $468 for the quarter.

Social security taxes are not usually due from members of the Police and Firemen's Retirement System. If the social security tax were due, it would be computed as an additional payroll deduction over and above the contribution made the member of the Police and Firemen's Retirement System at the full rate to that system.

Pension deductions from members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System are computed at a net rate of 4 percent (6% less 2%) times quarterly salary of $7,800, i.e., $312 for the first 3 quarters. In the fourth quarter, for pay period 20, the deduction is $52.00; in pay period 21 the crossover is reached, so the deduction is $54.00, and for pay periods 22, 23, 24, and 25 the full rate deduction of $78.00 is due. For the quarter, a total of $418 is due.

Social security tax is 6.13 percent of $1,200 biweekly pays in 1980.

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NOTE 2—Pension deductions are made from only six biweekly pays in a calendar year.

NOTE 3—Pension deductions in the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System change in the fourth quarter due to the "crossover" ($25,900 maximum in 1980). A total of $23,400 in quarterly salaries was reported in the first three calendar quarters for pension purposes. Therefore, $2,500 of the $7,800 quarterly salary is subject to the net pension rate, and the remaining $5,300 (over $25,900) is subject to the full pension rate for a pension liability of $418 in the fourth quarter: one deduction of $52.00, one of $54.00, and four of $78.00.

NOTE 4—Social security tax—The maximum of $1,587.67 (6.13% of $25,900) was deducted over the first 22 pay periods in the Teachers' Pension and Annuity Fund and in the Public Employees' Retirement System. There are normally no social security tax deductions in the Police and Firemen's Retirement System.

56.4 FEDERAL ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, AS AMENDED AND SUPPLEMENTED—Please see 10.5 for a discussion of the coverage issues and 122.71 for a statement of employer obligations resulting from New Jersey's participation in this program.

Essentially, in the Teachers' Pension and Annuity Fund, if services are rendered by members under programs established pursuant to this Federal legislation and the compensation for such services is included as part of the member's contractual salary, these monies are then base salary subject to pension deduction. The same may be said for those who are enrolled in the Public Employees' Retirement System.

Pension contributions for "teachers" who are working under the Federal act and who have met the prerequisites for membership in the fund are to be shown on the regular Quarterly Report of Contributions which is filed by the school district with the Teachers' Fund for all regular teachers of the board.

For social security tax purposes, the contractual salary of the teachers should be shown on the Unit 002 Social Security Wage Report together with the salaries of all regular teachers of the board. The board should not remit employer contributions on the wages reported on the Unit 002 Wage Report; the State of New Jersey will initially assume employer social security tax liability on the contractual salary of these employees exactly as it has for all regular members of the Teachers' Fund.

Salaries and wages paid from Title I monies to an employee who is not a member of the Teachers' Fund must be reported on the Unit 001 Social Security Wage Reports. The board is responsible for the employer

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social security tax liability on such wages, and it is also responsible for the appropriate social security administrative fee on the 001 Wage Report.

Some teachers, who are now members of the Teachers' Fund, are continuing to fulfill their regular teaching contracts but have also agreed to assume additional duties under Title I after regular school hours or on Saturdays with additional noncontractual compensation for the Title I duties. As was indicated above, only the contractual salary of the teacher is subject to contributions to the Teachers' Fund; the additional compensation from Title I monies is not subject to pension contributions. However, in accordance with Federal social security regulations, for social security tax purposes, the total cash wages paid to a teacher covering both contractual salary and additional compensation are to be reported on the Unit 002 Social Security Wage Report. The school district is responsible for employer social security tax liability on covered additional compensation as it is paid.

While the State will initially assume employer liability to the Teachers' Pension and Annuity Fund and employer social security tax liability on the contractual salaries of members of the Teachers' Fund who are working under the Federal legislation, the Federal Elementary and Secondary Education Act permits the cost of employee fringe benefits to be charged against the Federal appropriation. Chapter 192, P.L. 1966, enables the State of New Jersey to request reimbursement from local boards of education for the funds which the State advanced to pay employer pension liability to the Teachers' Fund and employer social security tax liability for the Federal Act employees. Since every board of education which participates in the Federal Elementary and Secondary Education Act is now maintaining separate accounting records for Federal appropriations, the records will readily supply all of the information needed in order to determine the liability of the board.

Annually the New Jersey State Department of Education will send each board of education which participates in programs under the Federal Elementary and Secondary Education Act a "Request for Reimbursement" form. The form should be promptly completed by the board of education and returned directly to the State Department of Education together with a check made payable to the "Treasurer, State of New Jersey," reimbursing the State for employer pension liability to the Teachers' Pension and Annuity Fund and employer social security tax liability for members of the Teachers' Fund who participated in the Federal programs. Any questions regarding the proper completion of the form should be directed to the Division of Business and Finance of the State Department of Education.

Local boards of education are responsible for employer liability to the Public Employees' Retirement System for all of their employee members of that system, and they are also responsible for employer

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social security tax liability for members of the Public Employees' Retirement System. Therefore, Chapter 192, P.L. 1966, as discussed above, is not applicable to Title I employees who are members of the Public Employees' Retirement System. The board of education initially assumes employer pension liability and social security tax liability for members of the Public Employees' Retirement System, which liabilities may be charged against its Federal monies, and there is no problem of later reimbursing the State as there is for members of the Teachers' Fund.

57. OVERAGES AND SHORTAGES—Shortages or overages in the accounts of individual members may arise as the result of the audit of the Quarterly Report of Contributions. If the employer's remittance is either more or less than the quarterly liability of an individual member for pension contributions and all extra pension deductions, the employer will be advised of the difference by a Statement of Overage or by a Statement of Shortage. On these forms the Division will itemize the amounts for each column of the Quarterly Report for the particular members of the system as they have been reported and also as the Division has corrected the various columns.

57.1 OVERAGES—About 3 months after the Quarterly Reports have been filed, the Division will notify employers of any apparent overpayments for the quarter. If there is, in fact, no overpayment but rather an error in salary information, etc., the employer should promptly notify the Division. If the Audit Section does not hear from the employer within 2 weeks, it will assume that there is, in fact, an overpayment, and a refund will be made payable to the employee. Upon receipt of the refund, the employer should promptly return the appropriate amount to the particular employees concerned.

57.2 SHORTAGES—Approximately 3 months after the Quarterly Reports are filed, the employer will be advised of any underpayments or shortages for the quarter. If the employer disagrees with the statement of shortage, he should contact the Division immediately. If, after reviewing the shortage form, the employer agrees that there is a shortage, he should arrange to take an extra payroll deduction from the individual on the next payroll and remit the payment to the Division of Pensions with one copy of the shortage form.

Please do not combine shortages with the next Quarterly Report of Contributions. The Division has already credited the member's account with the correct salary and months of service for pension purposes. The shortages must be paid by separate check and must be paid within 1 month after the employer's receipt of the shortage notice.

Shortages which are not paid within a reasonable period of time will be added to the employer's appropriation billing

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57.3 REASONS FOR SHORTAGES AND/OR OVERAGES—

(a) Errors in Calculation—In applying the rate to the base salary the employer may possibly have made an arithmetical error.

(b) "Crossover" in the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System—Please remember that the full rate printed in column 10 of the Quarterly Report is normally applicable only to base salary in excess of the maximum wage level subject to social security in that calendar year, while on base salary below the maximum, the pension contribution is computed by multiplying base salary by the full rate in column 10 of the report less 2 percent.

(c) Two "Maximums" are possible in the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System—The full rate for pension purposes is applicable only when "base" salary reaches the maximum wage level subject to social security. Extra pay and minor absence deductions are not considered for determining the pension "crossover." For social security tax purposes, actual wages are used to determine the maximum. These would include extra pay. A member's take-home pay is reduced when he reaches the "crossover" for pension purposes because he begins paying contributions at the full rate. His take-home pay increases when he reaches the "crossover" point for social security tax purposes because he no longer needs to pay the social security tax for the balance of the calendar year.

In the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, employers who pay weekly or biweekly will invariably have different wage accumulations for each employee. The social security accumulation is based on "total cash wages," and the pension accumulation is based on a "quarterly" base salary.

(d) Reporting Salary and Deductions for Part of a Month—The Division credits only full months of service and salary for pension purposes. If an employee works part of a month and earns sufficient money to pay the monthly pension contributions, the employer is required to make and report the full deduction. If he does not earn sufficient pay (the full pension contribution), please do not remit a deduction for any part of such month; the partial amount should be refunded directly to the member, and the employer should report 1 or 2 months in column 7 of the Quarterly Report and 1 or 2 months base salary in column 8 of the report.

(e) Failure to Adhere Strictly to the Schedule of Extra Deductions —Extra deductions for loan repayments, back deductions, and arrears and/or purchases are scheduled in fixed amounts to be paid in specific months. In order for the Division to control the termination of these extra deductions, the employer must adhere strictly to the certification. Failure to do so will result in an "overage" which will be refunded to the employer or a "shortage" billing.

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58. REPORT OF CHANGES—The Division recognizes that most members of the Public Employees' Retirement System and the Police and Firemen's Retirement System receive a salary change in the first calendar quarter of each year. In order to prepare a Quarterly Report of Contributions for the first quarter which will reflect the new base salaries, the Division sends a Report of Changes to each employer before the close of the calendar year so that the employer may indicate the salaries for the new calendar year. The Report of Changes is a tabulated listing of the membership number, name, full rate of contribution, and the method of payment (10 or 12) for all members of the system in the location. The Report of Changes must be filed by February 1.

Since the Teachers' Pension and Annuity Fund and Public Employees' Retirement System members employed by boards of education receive salary changes effective with a school year beginning July 1, a Report of Changes will be sent to boards of education early in June and must be filed with the Division by August 1.

If the Report of Changes is not filed in a timely manner, the Division may not have the opportunity to alter the salary information upon which the entire line entry for each member is based in the projected reports for respective quarters. The result will be to require the employer to change the Quarterly Report for each line item to the extent that salaries were changed and not reflected on the projected report. This puts an unnecessary burden upon both the employer and the Division in its postaudit effort.

58.1 COMPLETION OF THE REPORT OF CHANGES—The employer is to consider the last two columns of the Report of Changes as follows:

(a) In the column headed "10- or 12-Month Member," please verify "10" if the employee is to be paid 10 months a year, September to June inclusive, with no base pay in July and August; please verify "12" in this column if the member is to be paid 12 months a year.

All members are reported to the Division on either a 10- or 12-month basis. If a school district has an 11-month employee, it is suggested that he be paid one-twelfth of his salary each month of the year with 1 month of paid vacation. However, regardless of the method of payment, salaries and pension deductions are to be reported and paid to the Division on either a 10- or 12-month basis with no exceptions. It is again to be noted that school district personnel, if paid on a 12-month basis, must be reported for the period July 1 through June 30, and *not* for the period September 1 through August 31. This is the only way that the Division can give a member proper service credit.

(b) For members of the Police and Firemen's Retirement System and Public Employees' Retirement System, in the column headed "Base Salary to Appear on Report of Contributions for First Quarter," please

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show 3 months' base salary (three-twelfths of new annual base salary) for 12-month employees. The result should be rounded to the nearest dollar.

For example, a 12-month member on a calendar year base salary of $4,830 would be reported as:

10- or 12-Month Member	12
First Quarter Base Salary	$1,208

For members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System employed by boards of education, in the column headed "Base Salary to Appear on Report of Contributions for Third Quarter," please show 1 month of base wage if member has a 10-month contract (one-tenth of new annual base salary). The result should be rounded to the nearest dollar.

For example, a 10-month member on a school year base salary of $4,835 would be reported as:

10- or 12-Month Member	10
Third Quarter Base Salary	$484

58.2 ADDITIONS AND DELETIONS TO THE REPORT OF CHANGES—In completing the Report of Changes please do not add any name to the report. New enrollments and transferring members will be automatically shown on the Quarterly Report in accordance with the certification. Members returning from leave of absence or inactive status at the beginning of the first quarter should not be added to the Report of Changes; please add them to the Quarterly Report for the first quarter of the calendar year.

If an employer deletes a name on the Report of Changes, indicating that the member terminated employment because of death, transfer, or other reason, the Division automatically will print that member's name on the Quarterly Report for the first quarter, and it is requested that the employer delete the name on the Quarterly Report for the first quarter. The Report of Changes is only a means of advising the Division of new salary information and is not intended for any other purpose.

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CONTRIBUTIONS ACCOUNTING WORKERS' COMPENSATION

59. WORKERS' COMPENSATION, INTRODUCTION—In most public employee retirement programs the means of coordinating the retirement benefits with Workers' Compensation payments follows one of two courses. In those systems where disability retirement benefits are unavailable or minimal, the statutes provide for the coincidental payment of both for the same injury or the payment of service retirement benefits reduced by the value of the compensation payments. The result is not to recognize for retirement benefits the years in which the employee received such compensation payments and to encourage retirement by employees who could be rehabilitated to return to gainful employment in government or industry. The employee is not likely to consider rehabilitation if his eventual pension benefits will be reduced by Workers' Compensation payments and his benefits are not increased during the period of possible rehabilitation.

In the systems where service-connected and nonservice-connected disability benefits are provided and where such benefits and the payment of social security disablility benefits are likely to result in a substantial replacement of former compensation, the retirement system may or may not reduce the pension by the value of any Workers' Compensation payments. In the New Jersey systems the policy had been to exclude the possibility of such reduction. Decisions of the courts and opinions of the Attorney General held that individuals receiving periodic payments under Workers' Compensation were to be considered as continuing in an employer-employee relationship. As "employees" these members were encouraged to seek rehabilitation since they were not eligible for retirement while they were still "employees."

When the payments of Workers' Compensation terminated, the member could then decide, on the basis of his physical or mental condition, as to whether he could return to his former position or whether he should apply for service and disability retirement. In order that the period of compensation payments and possible rehabilitation did not serve to curtail his retirement benefits, the systems provided that he continue to make pension contributions on the basis of the base or contractual salary in effect just prior to the time that Workers' Compensation payment began.

Recognizing that such payments are generally too small to permit the employee to make the usual pension contributions with ease, the statutes pertaining to the State Police Retirement System as of July 1, 1965, the Public Employees' Retirement System and the Teachers'

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Pension and Annuity Fund as of August 1, 1966, and to the Police and Firemen's Retirement System as of December 18, 1967, require the employer to make the contribution that the employee was formerly required to make while in receipt of Workers' Compensation payments.

Although members of the New Jersey retirement systems are encouraged to accrue additional retirement credit while they are receiving Workers' Compensation benefits, as has been previously indicated, recent amendments to the major New Jersey retirement systems now permit a member who is receiving periodic Workers' Compensation to elect to retire if he is otherwise eligible and does not anticipate being able to return to active employment. However, the statutes provide that his retirement benefit will be reduced by the actuarial value of unpaid periodic Workers' Compensation benefits.

59.1 WORKERS' COMPENSATION, WITH PAY—Some public employers in New Jersey have adopted the policy of paying all or a substantial portion of the employee's salary, reducing the amount by the value of any payments received from Workers' Compensation, or by requiring the employee to pay over the monies which he periodically receives from the carrier following an award under Workers' Compensionsation.

59.11 PENSION COVERAGE—A pension contribution should be deducted from the cash wages that the employee receives. The contribution is calculated at the net pension rate (full rate after maximum wages subject to social security) on the base salary that the employee would be entitled to receive had he continued in active employment.

59.12 NONCONTRIBUTORY LIFE INSURANCE—Noncontributory insurance coverage will continue during the entire period of the payment of wages in addition to or in lieu of Workers' Compensation periodic benefits.

59.13 CONTRIBUTORY LIFE INSURANCE—If the member had contributory insurance coverage immediately prior to the award of Workers' Compensation, in the Public Employees' Retirement System the employer must deduct from his cash wages the specific percentage of the base salary that the employee would be entitled to receive were he still in active employment. Contributory insurance coverage will continue during the entire period of the payment of wages in addition to or in lieu of Workers' Compensation periodic benefits.

59.14 SOCIAL SECURITY TAX—Social security tax is not to be deducted from the actual cash wages that the employee is paid by his employer, nor is a social security tax to be deducted from the Workers' Compensation benefits. Also, see 62.25 and 62.26 for exceptions.

59.15 EMPLOYER LIABILITY—If the cash wages are insufficient to cover pension contributions in accordance with the above, the employer,

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in the case of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, or the Police and Firemen's Retirement System, is liable for any difference in the pension contribution. In determining employer liability, deductions should be made from the employee's cash wages in the following order:

(a) Pension Contribution—If the wages are insufficient to cover social security tax liability and pension contributions, the employer must pay the balance of the pension contributions which is not covered by the employee's cash wages.

(b) Extra Pension Deductions—If wages are sufficient, deductions should be made for oustanding arrears, back deductions, or loans. Otherwise, they will be rescheduled at the employee's return to active employment.

(c) Contributory Life Insurance—If the wages are insufficient to cover social security tax, pension contributions, and contributory insurance, the employer is never liable for any portion of the contributory insurance premium. The employee must pay the contributory insurance premium monthly, in advance, by direct remittance to the Public Employees' Retirement System.

(d) Supplemental Variable Annuity—If wages are sufficient, deductions should likwise be made for the Supplemental Annuity Program, or they will be resumed on return to active employment. However, if the employee is participating subject to a salary reduction agreement for the purchase of a tax-sheltered annuity, the reduction must be applied to the actual cash wages paid rather than to the employee's base salary to which he would be entitled were he still in active employment, since such cash wages will be less than the former base salary.

(e) State Health Benefits—The coverage will continue and the employee may make arrangements with his employer to pay to his employer that portion or all of the cost of dependent coverage for which he is liable.

59.16 PENSION REPORTING—If an employee receives pay while receiving or entitled to receive periodic benefits from Workers' Compensation, this should be fully noted in the "Remarks" column of the Quarterly Report of Contributions in the case of employees reported by the State's political subdivisions. The employee will be considered identically the same as an active employee, and there will be no indication in column 11 that he is receiving periodic benefits under Workers' Compensation. Pension contributions should be remitted with the Quarterly Report of Contributions. Insurance premiums should be remitted if they are deducted from cash wages; if cash wages are insufficient to cover the insurance payment, the employee's base wages should not be considered in calculating the employer's insurance remittance.

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59.2 WORKERS' COMPENSATION, WITH PAY; OTHER SYSTEMS—In systems other than the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, or the Police and Firemen's Retirement System, the employee, receiving all or a portion of the salary to which he would be entitled to receive were he still in active employment while receiving or entitled to receive periodic benefits under Workers' Compensation, has the same obligation to have pension deducted from such cash wages as described in 59.11-59.14. However, the employer liability differs as indicated below.

59.21 EMPLOYER LIABILITY, OTHER SYSTEMS—If the cash wages are insufficient to cover pension contributions, then the employer is liable for the member's pension contributions at the full rate.

All other matters related to extra pension deductions, Supplemental Variable Annuity, State Health Benefits, and pension reporting are identical to those described in 59.15-59.16.

59.3 WORKERS' COMPENSATION, WITHOUT PAY—Public employers in New Jersey may or may not insure against their possible liabilities under Workers' Compensation. However, whether the public agency will pay such periodic benefits directly to the employee who has received such an award or whether a carrier will make payment to the employee, the pension implications are identical. The employee is considered as continuing in an employer-employee relationship and as such the employer and the employee have distinct obligations which differ only between systems. In the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System, such obligations are noted below.

59.31 PENSION COVERAGE—The employer must pay to the retirement system the full employee pension contribution that the employee would otherwise have made just prior to the receipt of periodic benefits under Workers' Compensation. The pension contribution is calculated at the member's full pension rate of contribution on all base salary in effect at the start of his periodic benefits, with no reduction for social security. Payments which have been scheduled on arrears, back deductions or loans will be rescheduled at the employee's return to active employment.

59.32 NONCONTRIBUTORY LIFE INSURANCE—Noncontributory insurance coverage will continue during the entire period of the member's receipt of periodic benefits under Workers' Compensation.

59.33 CONTRIBUTORY LIFE INSURANCE—If the member had contributory insurance coverage immediately prior to the award of Workers' Compensation, he may continue this coverage by paying the contributory insurance premium monthly, in advance, by direct remittance to the Public Employees' Retirement System. He might be able to make an arrangement with his employer whereby he will pay the

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premiums to the employer, which premiums the employer will forward to the Division of Pensions as a part of the regular monthly remittances; in this case the insurance premium would continue to be included on the Quarterly Report.

59.34 SOCIAL SECURITY TAX—There is no social security tax liability. Also, see 62.25 and 62.26 for exceptions.

59.35 SUPPLEMENTAL VARIABLE ANNUITY—Payments will terminate pending the employee's return to the payroll.

59.36 STATE HEALTH BENEFITS—The coverage will continue, and the employee may make arrangements with his employer to pay to his employer that portion or all of the cost of dependent coverage for which he is liable.

59.37 PENSION REPORTING—The local employer should indicate in the "Remarks" column of the Quarterly Report, "Workers' Compensation—began (date)." A copy of the award should be filed with the retirement system, stipulating the exact period for which periodic benefits are payable under Workers' Compensation. In subsequent reports a "W" will be shown in column 11. the pension payment will be calculated at the full pension rate, and the pension contribution should be paid by the employer and remitted with the report of contributions.

59.4 WORKERS' COMPENSATION, WITHOUT PAY; OTHER SYSTEMS—In systems other than the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System, the employee who receives an award of periodic benefits under Workers' Compensation has specific obligations as indicated below.

59.41 PENSION COVERAGE—The employee must pay to the retirement system the full employee pension contribution that the employee would otherwise have made just prior to the receipt of periodic benefits under Workers' Compensation. The pension contribution is calculated at the member's full pension rate of contribution on all base salary in effect as the start of his periodic benefits. Such employee pension payments will be forwarded to the Division of Pensions, using the personal remittance form.

59.42 OTHER EMPLOYEE OBLIGATIONS—Payments which have been scheduled on arrears, back deductions, or loans will be rescheduled at the employee's return to active employment. The member has the same obligations with respect to noncontributory and contributory life insurance, social security tax, Supplemental Variable Annuity, and State Health Benefits as described in 59.32-59.36.

59.5 WORKERS' COMPENSATION, RETROACTIVE AWARDS—Very often a substantial period of time may elapse between the employ-

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ee's injury, the filing of a claim under Workers' Compensation, and the award of periodic benefits, as distinguished from lump-sum settlements and reimbursement of medical and legal fees. Such awards, reflecting periodic benefits for a retroactive period, must be treated in the same manner as a retroactive salary payment for pension, insurance, and other employee benefit purposes. The full implications of such an award can be secured by addressing a request to the Chief, Bureau of Contributions Accounting of the Division of Pensions.

59.6 WORKERS' COMPENSATION AND LEAVES OF ABSENCE—While it is clear that an employee who is receiving periodic benefits under Workers' Compensation is not considered on leave of absence, leaves are often granted to employees whose disablity or injury requires them to leave active employment while they may be pursuing a claim for periodic benefits under Workers' Compensation. While such benefits are not payable, the employee granted a leave of absence will have his status determined on the basis of the particular leave. Please see 19 for a full discussion of the several types of leaves.

However, once such periodic benefits are granted, the employee's status is no longer that of a employee on a leave of absence. If the award of periodic benefits under Workers' Compensation is retroactive to a period in which he was considered on leave, the member's status should be altered to that of a recipient of compensation benefits, and the request for information should be addressed to the Chief, Bureau of Contributions Accounting of Division of Pensions.

59.7 WORKERS' COMPENSATION, TEMPORARY OR PERMANENT—The statutes governing the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, and the Police and Firemen's Retirement System do not distinguish between temporary or permanent disability benefits under Workers' Compensation so that both types are relevant in determining the member's and his employer's pension obligations. The only difference in the statutes is between periodic benefits and lump-sum settlements in lieu of such periodic payments.

59.8 WORKERS' COMPENSATION AND RETIREMENT BENEFITS—The Attorney General and the courts have always distinguished between the person receiving a pension and one receiving Workers' Compensation. The relationship of an employer and an employee is not that of a pensioner since the retired person has severed his relationship, has no further duty to his employer, nor is he entitled to any benefits which may accrue to an employee. The "employee" receiving Workers' Compensation is under the relationship of employee and employer.

As a result of recent legislation a member who is receiving, or who is entitled to receive, periodic benefits under Workers' Compensation and who is otherwise eligible for retirement may retire; his retirement benefit

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will be reduced by the actuarial value of unpaid Workers' Compensation benefits.

59.9 WORKERS' COMPENSATION, GENERAL COMMENTS— Some employers appear to be more conscious of a serious claim under Workers' Compensation, than of one under the retirement statutes. Usually the claim in the pension system is several times the value of any similar claim under Workers' Compensation, but the employer does not experience the immediate increase in his next year's budget appropriation for pensions because the experience is pooled with that of every other participating employer, and each will pay his proportionate share of an increase due to such adverse experience for all. On a self-insured or insured basis such experience will more likely reflect itself in his appropriation for Workers' Compensation claims or premiums.

Consequently, the employer may urge the employee to file a claim for service or disability benefits with the retirement system in lieu of a claim under Workers' Compensation. If the employee's injury is such that he is permanently and totally disabled and there are no other duties that he can perform, it may be in his best interest as well as in that of the community that he be retired. However, by not filing for Workers' Compensation, the employee may be denying himself the opportunity for physical and mental rehabilitation which might permit him to return to duty and reestablish himself and his family as a responsible unit of the community. Thus, the immediate resolution to seek a pension may prove more expensive and far less rewarding to both the employee and the taxpayer. A claim for temporary or permanent disability benefits under Workers' Compensation often clearly envisages the employee's return to active employment, and certainly the more permanent remedy of retirement is not denied to an eligible employee.

In this regard it must be noted that the statutes governing Workers' Compensation and the retirement systems are quite different. Often an employee whose claim for Workers' Compensation is approved finds that he cannot sustain the burden of proof necessary to receive an accidental disability pension, or he might not meet the age and service requirements for a pension.

In the same vein an employer who recognizes that an employee's accident or injury might result in a Workers' Compensation claim may take the step which appears to be the easiest one. He may act to terminate the services of the employee believing that in this way he can escape any claim or pension obligation as a result of such claim. However, a claim for Workers' Compensation can be awarded, and if it is, the reestablishment of an employer-employee relationship will follow. The result will be to impose a pension contribution upon the employee and the employer (both to be paid by the employer in the case of the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, or the Police and Firemen's Retirement System) even

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though the employer may argue that the employee resigned and thereby severed his relationship with the community.

Finally, some employers argue that they are unaware of persons receiving Workers' Compensation payments since this is entirely handled by an insurance company carrying the coverage. Yet the policyholder should know exactly who is receiving payments as reflected in the experience under the policy for any year. Otherwise, the community is not in a position to determine the accuracy of the premium billing and the relative size of claims, paid or unrevealed, retentions, and commissions. In any event the employer cannot hide behind the carrier and plead ignorance since he is required by the statutes to assume certain obligations to his employee members who are receiving Workers' Compensation payments.

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CONTRIBUTIONS ACCOUNTING
SOCIAL SECURITY

60.1 FEDERAL-STATE AGREEMENT—Prior to 1951, employment with a State or local government could not be covered by the Retirement, Survivors', Disability, and Health Insurance program of the Federal Social Security Administration. The 1950 Amendments to the Federal Social Security Act made possible for the first time the coverage of certain groups of State and local government employees. The Social Security Amendments of 1954 provided more extensive coverage primarily by permitting the coverage of employees in positions under an existing State or local government retirement system.

The coverage of employees of State and local government differs basically from coverage of employees in private industry and of the self-employed in that participation in social security is by means of agreements entered into between the individual states and the Secretary of the Federal Department of Health, Education, and Welfare.

The initiative for obtaining coverage was originally placed with the State. As a result there had to be authority in terms of enabling legislation for a State to enter into a coverage agreement with the Federal Government. Such authority was provided by Chapter 253 of the Laws of 1951, and an agreement pursuant to this enabling legislation was concluded between the Federal Government and the State of New Jersey on December 30, 1952.

The employees of a political subdivision can obtain social security coverage only under the terms of the State's agreement. Moreover, the Federal-State agreement is a contractual arrangement under which the State agrees to make reports of wages paid to employees whose services become covered under the terms of the agreement and pay contributions in an amount equal to the social security taxes imposed on employees and employers in private industry. The employees so covered gain the same rights and benefits under the social security program as employees in private industry.

60.2 STATE AGENCY FOR SOCIAL SECURITY—Chapter 253, P.L. 1951, designates the State Treasurer as "the State Agency for Social Security." The State Treasurer has delegated his responsibility in this area to the Director of the Division of Pensions.

The Social Security Agency maintains a staff which mails and receives the quarterly wage reports and adjustment statements from covered employers and relays the necessary data to the Federal Social

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Security Administration in accordance with the Federal-State agreement.

The Division of Pensions is responsible for the preparation of any modification of the Federal-State agreement and is the agency to whom questions should be referred concerning coverage problems or questionable wage items.

60.3 INTERSTATE INSTRUMENTALITIES—Coverage for most public employees in New Jersey has been secured through an agreement between the Federal Government and the State. However, the Federal Social Security Act provides that coverage of employees of interstate instrumentalities must be by an agreement between the instrumentality and the Federal Government. Through separate agreements concluded by such interstate instrumentalities as the Interstate Sanitation Commission, Palisades Interstate Park Commission, and the Delaware River Joint Toll Bridge Commission, members of the Public Employees' Retirement System and others have been covered by the program.

60.4 VOLUNTARY COVERAGE—Prior to January 1, 1955, the extension of social security coverage to public employees was a matter of the conclusion of voluntary agreements between public employers and the State of New Jersey as arranged by the State Agency for Social Security. The coverage in this period was limited to eligible employees in positions not covered by existing retirement systems. Approximately 350 agreements were concluded providing for the coverage of over 10,000 employees.

60.5 COMPULSORY COVERAGE—By terms of Chapter 84, P.L. 1954, social security coverage became compulsory for every eligible public employee in New Jersey. By that same act, coverage was extended to every member of the newly created Public Employees' Retirement System. Futhermore, under these compulsory provisions, as a new political subdivision is created, its employees must be covered under the program.

60.6 REFERENDA—The Federal Social Security Act was amended in 1954 to provide for the extension of social security coverage to public employees in positions covered by retirement systems on the basis of referenda conducted among members of these pension plans. In this manner, coverage has been extended to all members of the Teachers' Pension and Annuity Fund, to members of the Public Employees' Retirement System employed in school districts located in first-class counties who were also in positions covered by county-wide pension plans, to employees of a score of school districts whose positions were covered by plans established by local action, and to employees in positions covered by other county and municipal retirement systems which have been terminated under the provisions of Chapter 169, P.L. 1956.

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60.71 REFERENDA, FEDERAL REQUIREMENTS—The requirements, the dates, the definition of membership, etc., pertaining to a referendum to be held among the members of any pension system are all subject to review by the Federal Government, as it is Federal law which provides for such referenda. The pertinent sections in the Federal Social Security Act can be found in Section 218 of that act.

Employees covered by a pension system will be eligible for coverage under social security if the Governor of the State certifies to the Secretary of the Federal Department of Health, Education, and Welfare that the following conditions have been met:

a. A referendum by secret, written ballot was held on the question of whether service in positions covered by such pension system should be excluded from or included under the State's social security agreement with the Federal Government;

b. An opportunity to vote in such referendum was given to all eligible employees;

c. Not less than 90 days' notice of such referendum was given to all such employees;

d. The referendum was conducted under the supervision of the Governor or an agency or individual designated by him; and

e. A majority of the eligible employees voted in favor of coverage.

Both the Federal and the State authorities are concerned that the opportunity to vote not only be given to all eligible employees but be limited to all eligible employees. The Federal law defines an "eligible employee" as one who, on the date that notice was given and on the date of the referendum, was a member of and in a position covered by such pension system. An eligible participant in a referendum must satisfy both conditions which are spaced at least 90 days apart.

A position is covered by a pension system when an individual who occupies the position performs such services so that he or anyone else occupying that position and rendering such services would be a member of the pension system. Individuals who are on sick leave, military leave, etc., are nevertheless in positions covered by the pension system; they are eligible employees as long as their membership in the system has not lapsed.

60.72 REFERENDA, STATE REQUIREMENTS—The Governor is empowered by law to authorize a referendum on the question of social security coverage if a pension system is supported in whole or in part by the State and is established by the State or by a political subdivision. He also may authorize such a referendum if the pension system is not supported by the State but is applicable to more than one political subdivision.

With respect to a retirement system which is not supported by the State and which is established by a single political subdivision, the

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Governor may authorize a referendum upon request of the governing body of the political subdivision. The request, in the form of a resolution, should be made to the Governor by the governing body asking that he issue a proclamation calling for the holding of a referendum among the eligible members of the pension system.

State law, as well as Federal law, requires that the notice given to employees contain, or be accompanied by, a statement informing the employees of the rights that will accrue to them and their dependents and survivors, and the liabilities to which they will be subject, if their services are included under the State's social security agreement.

A survey must be made of all employees in order to determine who is to participate in any referendum. Federal law provides that the voting must be by "retirement system coverage group." Such a group would be composed of, and limited to, the members of any particular pension system. Voting lists will be prepared on the basis of such categories.

60.8 REFERENDA, GENERAL INSTRUCTIONS:

60.81 ELIGIBILITY FOR VOTING AND MASTER VOTING LISTS—Participation in a referendum on the question of social security coverage is normally limited to employees who are, on the date that notice of the referendum is given and on the date of the referendum, in positions covered by, and members of, the pension system.

A master voting list should be prepared of the membership on the date that notice is given. On the day of the referendum the names of those who are no longer members on that date should be crossed off the list. Numbers should then be assigned to the remaining eligible voters. Space should be afforded on the list for the signature of the voter who participates in the referendum.

60.82 LARGE VOTING DISTRICTS—Each election official and each subofficial appointed by him shall have the authority to break down and prepare additional lists from the master voting lists in such manner as is needed. The election official within each large district shall formulate his own plan for getting all of the eligible employees to vote. Such plan should be in such detail and with sufficient information and notice as to time and place as to afford each eligible employee the opportunity to vote.

60.83 BALLOTS FOR VOTING-BALLOT BOXES—Sufficient ballots will be furnished for the vote. Ballot boxes may be of any type which may be sealed. Election officials are responsible for the secrecy of the ballot.

60.84 ABSENTEE VOTING—In case of the member's absence from the usual working location, absentee voting will be permitted. The ballot should be given or mailed to the employee by the election official. The ballot should not in any way be marked so as to void the secrecy of the

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vote. The employee should mark his ballot and place it in a sealed envelope and mail it to the election official postmarked not later than 1 day before the day of the referendum. The election official will place the ballot unopened in the ballot boxes on the day of the referendum and indicate "absentee voter" in the space given for the voter's signature on the voting list.

60.85 TIME AND PLACE—Election officials will be responsible for seeing that the polls are open during the entire working day on the day of the referendum and shall select the place or places for voting within the election district.

60.86 PROCEDURE FOR VOTING—Each election official should have the master list of eligible voters or lists prepared from the master lists. On the day of the referendum each member should be given a ballot which he may mark and place in the ballot box which has been provided. The election official shall ask the voter to sign his name next to the name indicated on the master list.

In the case of multiple referenda in a particular district the election official must be careful to present the proper ballot to the member participating in any particular referendum.

60.87 CHALLENGED BALLOT OR ERROR IN VOTING LISTS—In the event an employee not on the eligible voting list demands the right to vote, stating that he was a member of the pension system on the day that notice was given to eligible employees and is still a member, the election official shall allow that person to vote and shall add his name to the list, assigning him a number. He will note on the list by the member's name, "challenged ballot," and he shall also mark the ballot "challenged ballot." Where there may be more than one such ballot, each challenged ballot should be marked with the number assigned to the voter.

60.88 CERTIFICATION—

a. TABULATION OF VOTES AND CERTIFICATION—Upon the closing of the polls each election official shall count the votes and note the results on the forms provided for such purpose. In the larger districts where there is more than one election official, each subofficial shall tabulate the votes in his ballot boxes and submit to the chief election official his certification together with the lists and ballots. The chief election official will then tabulate all of the results and certify these results of the Division of Pensions.

b. TOTAL NUMBER OF ELIGIBLE VOTERS—An important item as given on the certification form is the one pertaining to the total number of eligible voters. This figure should be secured by counting the number of eligible voters on the master list when the election is complete.

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60.89 RETENTION OF LISTS, BALLOTS, BOXES, ETC.—All of the documents and paraphernalia used in the election should be retained by the election official until notice from the Division of Pensions.

60.9 INELIGIBLES—After social security coverage was made available to employees in positions covered by existing retirement systems through successful referenda conducted among the actual members of the pension plan, consideration turned to those individuals who were in positions covered by existing retirement systems but who themselves were not eligible to be members of the plan for one reason or another. These individuals were ineligible for membership in the retirement system because they were over age when the system was instituted or when they were first employed, were barred for medical reasons or did not elect the option of becoming members of the retirement system.

Such individuals may be found in any political subdivision where a retirement system has been established. The Federal Social Security Act provides coverage for ineligibles as long as the individual was not eligible for membership in a retirement system after September 1, 1954. Individuals who had the option to become members when they were first employed or when the plan was adopted, but who did not have the option after September 1, 1954, could be covered by social security. However, in some plans the option is available for a limited period, and if such option were available after September 1, 1954, the individual in question could not be considered an "ineligible" under terms of the Federal act and as such could not be covered by social security.

Through modifications of the Federal-State agreement since 1957, coverage was secured for every "ineligible" in every entity in the State.

61.1 COVERAGE GROUP—Coverage can be extended only to a political subdivision or instrumentality which is defined as a coverage group. In order to determine employer liability and to define the reporting entity, separate groups have been established such as County Park Commissions, County Mosquito Extermination Commissions, County Educational Services Commissions, Housing Authorities, Incinerator Authorities, Joint Meetings, Sewerage Authorities, Parking Authorities, Regional Water Commissions, Recreation Commissions of more than one municipality, Audio-Visual Aids Commissions, Fire Districts, and Regional Health Commissions. However, Boulevard Commissions, Municipal Libraries, and Parental Schools are not separate coverage groups.

61.2 STATE-COUNTY EMPLOYEES—Questions have been raised concerning the following groups of public employees:

61.21 COURT EMPLOYEES—All employees of the Supreme, superior, county, and county district courts are State employees while employees of municipal courts are municipal employees. Where such State employees are not members of any other pension plan, they are covered by social security and are normally eligible for membership in the Public

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Employees' Retirement System. In the case of county and county district courts where the employee is paid by the county, the county will deduct for social security and will report the State employee along with county employees, unless such State employees are members of county pension plans other than the Public Employees' Retirement System.

61.22 JUDGES—All judges of the Supreme, superior, county, county district, and Juvenile and Domestic Relations and tax courts, and municipal magistrates are State employees. Judges of the State and county courts are eligible for retirement under the Judicial Retirement System. Municipal magistrates who are not members of any other pension plan are covered by social security and are eligible for membership in the Public Employees' Retirement System. In the cases of county courts where the judge is paid by the county, the county will deduct for social security and will report the judges along with county employees. In the cases of municipal magistrates, the municipality will deduct for social security and report the magistrate along with municipal employees unless the magistrate is a member of a municipal pension plan other than the Public Employees' Retirement System.

61.3 OTHER STATE EMPLOYEES COVERED BY SOCIAL SECURITY—By opinions of the Attorney General the following are State employees who may be covered by social security if they are not members of a retirement system other than the Public Employees' Retirement System:

a. County Tax Board members and employees
b. Civil Service Commission members
c. Boards of Barber Examiners and Beauty Culture Control members
d. Bar Examiner Board members
e. Tax Appeals Board members
f. Real Estate Commission members
g. Superintendent of Elections and his employees
h. County Board of Election members and employees
i. County Probation Bureau or Department employees
j. County Prosecutor's Office employees
k. County Detectives and Investigators
l. Clerk of the Grand Jury
m. Jury Commissioners and their employees
n. County Superintendents of Schools employees

61.4 THOSE NOT COVERED BY SOCIAL SECURITY—Constables and Licensing Agents of the State Division of Fish and Game and their employees are not eligible for coverage under social security.

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61.5 PUBLIC SERVICES EXCLUDED BY FEDERAL STATUTE— Section 218(c) (6) of the Social Security Act provides for the automatic exclusion of the following public services from coverage in the execution of modifications of the Federal-State agreement:

a. Services of employees who are hired to relieve them from unemployment—This provision excludes the services of employees in work relief programs (other than supervisory or administrative employees for work relief projects). Generally, it is the intent of the program which establishes whether it is one designed to relieve from unemployment. This can usually be determined from the statutes or other authorities under which the program is established.

Example 1: Services of welfare recipients performed in return for assistance payments are excluded from coverage because the primary intent of such work-relief programs is to provide assistance to needy individuals and their families.

Example 2: Services performed by individuals under work-training or work-study programs which are designed to provide work experience and training to increase the employability of the individual are not excluded because the primary intent is not to relieve from unemployment.

b. Services performed in a hospital, home, or other institution by a patient or inmate—A "patient" is someone undergoing treatment or receiving care in the institution; an "inmate" is someone who lives in the institution either because he was committed or because he chose to enter voluntarily.

Mental hospitals, homes for alcoholics, prisons, or rehabilitation centers, and veterans' homes are examples of institutions ordinarily involved in this exclusion.

c. Services performed by employees hired on a temporary basis—In case of fire, storm, snow, earthquake, flood, or other similar emergency; this exclusion does not, however, apply for personnel of departments established to handle emergencies as they arise, such as a police or fire department, a highway or street maintenance crew, etc.

In general, services required because of an unforeseen event calling for immediate action are held to be emergency services. This exclusion applies only for services of employees hired because of the emegency to do the work in connection with that emergency. The fact that the employment is of short duration does not in itself establish the existence of an emergency.

Any individual who remains in a continuous employment relationship for the purpose of performing services whenever an emergency arises is not an emergency employee. In general, individuals who hold themselves available to perform services when called upon to do so are considered to be in a continuous employment relationship.

Such emergency services were an optional exclusion prior to January 1, 1968, but now are mandatorily excluded.

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Example 1: Members of police or fire departments, or highway or street maintenance crews, are not emergency workers since they are available to do the work for which they are employed whenever the need arises.

Example 2: Individuals hired to issue automobile licenses for a short period at the same time each year, or to fight insect infestation at about the same time each year, are not performing emergency work since the need for the services at a specific time is foreseeable.

Example 3: The unexpected absence of a classroom teacher might constitute an emergency, if the absence resulted from a storm, flood, etc. However, a substitute teacher who is regularly employed or listed to be available to perform regular or per diem services in such a situation would not be an emergency worker.

Example 4: The employment of an individual to serve in the absence of a school principal, school janitor, or an official of a State or political subdivision would not ordinarily require the immediacy of action necessary in an emergency situation.

d. Police and firemen—Section 218(d) (5) (A) of the Social Security Act bars from coverage service in positions of police and firemen which are under a public employee retirement system except as designated in Section 218(m) and (p).

In New Jersey, policemen and firemen may be covered along with all other employees of any covered group as long as these policemen and firemen are not in positions covered by a policemen or firemen's pension plan on the date that coverage is extended to the political subdivision. The Federal act has been amended to specifically include policemen and firemen who are members of such retirement systems in particular states. New Jersey is not one of these states.

A situation has arisen in some municipalities where coverage was extended before the adoption of New Jersey's Police and Firemen's Retirement System. Subsequently, some of these policemen and firemen have become members of this retirement system. However, as they were covered by social security prior to the adoption of the retirement system in their municipality, they are covered both by social security and the retirement system and contribute fully to both.

Legislation has qualified other public employes for membership in the Police and Firemen's Retirement System; most were covered by social security prior to such legislation, and they continue to be covered. If they were members of the Public Employees' Retirement System, they were eligible for the 2 percent credit toward their pension contribution; in the Police and Firemen's Retirement System there is no such credit, and the employer and employee must pay the full charges for pension and social security.

e. Others—In addition, present Federal law excludes the following from social security coverage:

1. Federal retirement system—State or local governmental

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employees in positions subject to the Federal Civil Service Retirement Act (county agricultural agents, home demonstration agents, etc.).

2. Clergymen and religious orders—The wages of employees of the State or of local governments who as members of a religious order have taken a vow of poverty are excluded; members of a religious order who have not taken a vow of poverty are also excluded if they are directed or required by their order to perform the services. However, clergymen services performed by a minister, priest, rabbi, or Christian Science Practitioner are covered by social security. Generally such services include such work as performed by chaplains, teachers, nurses, etc.

3. Foreign nationals—Employees of the State or of local governments who are foreign nationals temporarily in the United States on an F-1 or J-1 type visa are subject to the provisions of the Federal Mutual Educational and Cultural Exchange Act of 1961; such employees, however, are generally excluded only for services connected with the purpose for which the individual was admitted to the country.

Under certain circumstances persons holding the F-1 or J-1 type visa may be granted permission to do work not related to the purpose of admission; the earnings for such work are also then exempt from contributions.

For F-1 students such exempt work therefore could consist of:

(a) Employment on campus related to the course of study —No special permission is necesary.

(b) Employment on campus not related to the course of study which does not however displace residents of the United States—No special permission is necessary.

(c) Part-time off campus employment because of economic necessity—This requires special permission from the Immigration and Naturalization Service and is limited to 20 hours per week when school is in session but may be full-time in vacation or recess periods.

(d) Practical training employment—This also requires special permission from the Immigration and Naturalization Service on the basis of recommendations from the college or university where the course of study is being completed.

For J-1 exchange visitors any work connected with the purpose of admission requires no special permission and is automatically exempt from coverage. When work because of economic necessity or because of a need for further practical training is to be performed, there will be written permission from the sponsor; earnings for such permitted work then also are exempt from contributions.

Spouses and children of F-1 aliens (nonimmigrant stu-

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dents) or of J-1 aliens (exchange visitors—advance students, scholars, trainees, teachers, research assistants, specialists, professors, etc., under sponsorship of an approved organization or institution) are classified F-2 and J-2. Such individuals may not be granted permission to work in the United States.

61.6 OPTIONAL EXCLUSIONS—Following the execution the Federal-State agreement in 1952, coverage under social security was voluntary for public employers in New Jersey, and coverage was extended primarily to employees of the State's political subdivisions who were not protected by a retirement system. At that time positions covered by retirement systems were excluded from coverage. In this period, employers could elect optional exclusion of particular services, and these included the following: elective, fee basis, part-time, agricultural labor, but only those which would be excluded if performed by a private employer; student services, but only those which would be excluded if performed by a private employer; and prior to January 1, 1968, services of an emergency nature. These optional exclusions were elected by one or more of the 400 communities and agencies who acted to obtain coverage prior to the enactment of Chapter 84 of the Laws of 1954; many of these exclusions have since been removed by the voluntary action of the entities themselves.

Chapter 84 not only established the Public Employees' Retirement System but extended social security coverage to all public employers on a universal basis. The only optional service permitted by Chapter 84 related to elective positions, and this was the only optional exclusion remaining to those political subdivisions who are covered as a result of Chapter 84; since 1955, when coverage became mandatory, many communities have eliminated the exclusion for elective positions. The number of individuals in excluded positions is very small. Exclusions have been removed because the lack of social security serves as a bar to membership in the Public Employees' Retirement System.

Below is a description of such optional exclusions:

a. Elective positions—These are filled by the election of the qualified electorate of the particular jurisdiction. While an individual in an elective position may obtain tenure, the position itself is considered elective, because a successor would have to be chosen by the electorate.

b. Fee basis positions—Please see 62.22.

c. Part-time positions—There are very few part-time positions in public service. It is not the individual who is part-time, but the judgment is made on the position itself. Thus if a position was established on a full-time basis but the individual worked only part-time, the exclusion would not be applicable. Moreover, if the work in a position classified as part-time increases to the normal requirements of a full-time position, the position would no longer be considered part-time and the optional exclusion would not apply. For example, an individual may be employed

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and compensated for only 4 hours of only 1 day of a quarter, but such an individual may be subject to coverage if the position requires the individual to be on duty or available at all times. A part-time position is one in which the number of hours required is substantially less than that required for a full-time position. 20 hours a week has normally been prescribed as a minimum for a full-time position in the public service in New Jersey. Thus a position which calls for fewer hours may be considered a part-time position in those few communities where part-time services are excluded.

d. Agricultural workers—This type of service prevails in other parts of the country but has never been a bar to coverage in New Jersey.

e. Student services—Wages paid to students in the public schools were excluded by those few communities where the optional exclusion was elected. Where the optional exclusion applies, the services performed involve a student regularly enrolled and attending classes, and it applies only to services during periods of regular school attendance. It does not apply to work done during the summer vacation period unless the student is attending a summer session.

61.7 PROBLEM AREAS INVOLVING THE EMPLOYMENT RELATIONSHIP—When there is an employer-employee relationship in service for a public agency, or when the individual is an officer of such agency, the gross compensation is "wages." There are some problem areas.

a. Health officer—As a town, village, or city officer this person is an employee and must be reported if the service is covered by the Federal-State agreement, except for remuneration properly identified on the records as reimbursed expenses.

b. Building inspector, plumbing inspector, electrical inspector—These are municipal officers and must be reported for remuneration not identified as expense reimbursements, irrespective of other covered employment or self-employment.

c. Municipal assessors—When in accordance with the statutes an individual is appointed by the governing body to serve as the assessor, such individual is an employee and must be reported for gross earnings received.

If a corporation is appointed as the assessor, the corporation designates the person responsible for the assessments; the designee in such a case is an employee of the corporation and no employee relationship with the municipality would have been established.

d. Officials at school athletic contests—They are employees of the public agency and subject to reporting.

e. Library employees—Unless it can be established that the library is a separate joint entity or a private nonprofit corporation, the employees are employees of the municipality and reportable for earnings.

f. Volunteer fire district personnel—Unless it can be established

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that such department is a separate joint entity, the paid employees are subject to coverage as employees.

When the compensation of volunteers in a fire department is nominal, such frequently is intended as partial reimbursement of expenses in rendering such volunteer services. If this is the case, a declaration of such intent in the official records and the signing of expense vouchers by the volunteers will establish such compensation to be considered expenses rather than wages.

g. Members of a governing body—These officers (employees) are not exempt for such service and thus must be reported for salaries received, which are not identified as expenses, if the service is covered under the agreement.

h. Medical doctors—Generally, it has been found that doctors who perform full-time professsional services for a State or a local government either are officers, and therefore employees by statutory definition, or are employees under the common law rules. A doctor rendering part-time service for a governmental entity is generally an employee if his services are connected with the responsibility of the government for the maintenance of general health and welfare, as a health officer, or his relationship to the governmental entity is substantially the same as that of other recognized employees, and he has been treated by the governmental entity as an employee for other purposes. A doctor, whose arrangement with the governmental entity is by means of a contract under which he agrees to provide medical service for a fee as he would for his own private patients, and pursuant to which he retains control of his time and efforts, is generally self-employed in this relationship with the governmental entity. The same can be said for attorneys, engineers, clergymen, and other professional personnel. The existence of a contract does not automatically establish a self-employment status. All teachers and superintendents of schools may have contracts, but they are employees. Please see subsection k below re Attorneys.

i. Jurors and witnesses—Such individuals are not employees since they are not officers nor are they subject to direction or control as to the manner and performance of their duties.

j. Schoolbus drivers—Generally schoolbus drivers perform their services in an employment relationship with the governmental entity. However, a bus driver may be an independent contractor if he owns all or part of the equipment, assumes operations and maintenance costs, is not required to perform the services personally, and is relatively free of direction and control by the governmental entity; if, in other words, the entity has purchased a transportation service rather than employed individuals to operate school owned vehicles, no employment relationship exists.

k. Attorneys for public entities—Where an individual is appointed to the position of attorney for a political subdivision in accordance with the statutes, and does not serve in accordance with a contract between

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such individual and the political subdivision, such individual is an employee of the political subdivision for coverage purposes.

The statutes provide specifically for the office of municipal attorneys. Contracts notwithstanding, these are employees. Any other person who renders legal service to a governmental entity (unless clearly an employee of the entity) should be regarded as an independent contractor.

In an important opinion in 1976 the Attorney General addressed the questions of who was to be considered an independent contractor and what compensation would be subject to social security and pension.

Services of a self-employed independent contractor are generally performed on a case-by-case basis rather than as part of the basic responsibilities of a regularly salaried employee or officer of a governmental entity. Only established professional services which are performed in a statutory office or position and which are compensated for by a fixed annual retainer (salary) paid at regular, periodic intervals in specific, regular amounts should be regarded as the services of an "employee" for pension purposes.

Established professional services of a part-time municipal attorney which are performed in a statutory office or position and which are compensated for by a fixed annual retainer or salary are often nominal amounts of compensation for the work which is normally regarded as within the duties of the office itself, such as attendance at meetings of the governing body, preparation of simple resolutions and other work related to such meetings and some day-to-day routine advice. However, the preparation of detailed opinion letters, the drafting of complex and involved ordinances and contracts, and the conduct of litigation would generally be excluded from the duties of the office itself.

The Attorney General does recognize, however, that due to the variety of governmental subdivisions and their differing legal requirements, individual situations may possibly dictate a contrary conclusion, such as, a municipal attorney in a city of substantial size who performs, as an employee and as a public officer, services which involve the conduct of litigation, preparation of detailed opinion letters, etc., services which in smaller communities would generally be regarded as services performed by a self-employed professional.

In some cases the compensation arrangements between the professional and the employing agency may involve a factual question which has to be resolved by the board of trustees of the retirement system.

The foregoing findings of the Attorney General for pension purposes are equally applicable to covered wages for social security tax purposes. The salary or retainer which is attributable to the office of a municipal attorney, engineer, etc., is compensation paid to an officer of the municipality and is, therefore, subject to employee social security tax deductions and must be reported on quarterly social security wage reorts.

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However, fees for the preparation of detailed opinion letters, the drafting of complex ordinances and contracts, and the conduct of litigation would normally be compensation paid to a self-employed, independent contractor and would, therefore, not be subject to social security deductions by the employing agency. It is the responsibility of the professional himself to report such earnings for social security purposes as the earnings of a self-employed professional.

The professional employees and officers who are covered by this opinion of the Attorney General include, but are not limited to, county and municipal attorneys, attorneys of various public agencies, such as housing, sewerage, and parking authorities, attorneys for zoning, planning, and other county and municipal boards as well as county and municipal engineers and physicians.

1. Self-employed consultants—This classification is often raised as an issue involving an individual who has retired and then wants to return to service with the same entity or some other entity without jeopardizing the continued receipt of his pension. Obviously consultants are normally those with recognized technical skills or professional abilities, such as accountants, data processing programmers, engineers, etc. An individual who held a particular position for many years may argue that he is a consultant in that position because of his service and because he now holds himself out to perform as a consultant in this field, not only to his former employer but to any agency. Upon examination it can be readily determined that his only opportunity for such self-employment is as a consultant to his former employer. However, while it is clear that in almost every case the pensioner would be performing in relatively the same capacity as he performed in the past and hence would be considered an employee, those who insist on such classification are directed to the nearest office of the Social Security Administration. There they can complete an employer-employee relationship questionnaire, and on the basis of the information from the alleged contractor and the agency with whom he is contracting, a Federal determination can be made as to whether or not he is or is not an employee. Almost uniformly such individuals have been held to be employees and hence subject to social security and pension coverage.

If there are questions regarding who are employees, please write to the State Agency for Social Security for aid in making a determination.

61.8 SECURING COVERAGE—When a new political subdivision is created, the State Agency for Social Security should be notified as soon as wages are paid to its first employee. The Division of Pensions will take the necessary steps in securing a modification of the present Federal-State social security agreement so that the employees of this new coverage group can be included. At that time the Division will secure the documents establishing the individual responsible for the preparation of the social security wage reports.

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62 REPORTING INSTRUCTIONS:

62.1 EMPLOYER IDENTIFICATION NUMBER—The Social Security Administration will assign an employer identification number to each political subdivision. The number should be entered on every page of all reports, forms, and correspondence to facilitate the identification of the coverage group. The complete name of the group, including the county in which it is located, should also be indicated.

62.2 COVERED WAGES—Social security wages are reported quarterly to the State Agency in Trenton.

The term "wages" means all remuneration paid for the personal service of employees (and officials) in employment covered by the Federal-State agreement.

The name by which the remuneration for employment is designated is immaterial. Thus the term includes payments commonly called wages, salaries, bonuses, commissions, or fees. Noncash remuneration also is "wages."

The basis upon which the remuneration is paid is immaterial in determining whether the remuneration constitutes "wages." It may be paid on the basis of piecework or commission, or it may be paid on an hourly, daily, weekly, monthly, or annual basis. Per diems and per annums are wages.

The way "wages" are received is also of little consequence. For example, employees may be paid by voucher rather than by payroll, but that doesn't alter their employment status or coverage.

Wages paid in any form other than money are measured by the fair market value of the room or meals or other consideration given in payment for services.

Employee contributions—Any amount withheld from an employee's gross wages is part of his wages. Any employee payments made from the employer's own funds are also wages with the exception of social security contributions and unemployment compensation taxes.

62.21 WAGES IN KIND—The value of meals or lodging is "wages" whether or not such is furnished for the "convenience of the employer."

When rent-free quarters are furnished to employees, the fair value of such quarters must be computed and included on the reports for this coverage as "wages."

In cases involving cafeteria employees in the schools, hospitals, etc., whose normal work day lasts through the period for one or more meals, such meals furnished without charge to such employees must be considerered part of their compensation and reported as "wages."

As a general rule, remuneration paid in a medium other than cash is considered "wages." Remuneration paid on other than a cash basis would be computed on the basis of the fair value of such items at the time

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of payment. The fair value may be based on the prevailing value of the items in the locality or upon a reasonable value established for other purposes.

Facilities or privileges are not, however, ordinarily considered as remuneration for employment if the value of such facilities or privileges is relatively small and they are offered or furnished by the employer merely as a means of promoting the health, good will, contentment, or efficiency of employees. Meals furnished to employees are not regarded as facilities or privileges.

The value of tools and equipment furnished by an employer to do the work, such as firearms, handcuffs, etc., furnished to a police force, is not "wages."

The value of uniforms which are furnished to an employee is not considered "wages." This exclusion from earnings is based on the understanding that such uniforms are required to be worn in the performance of the employee's duties, and that the uniforms are not of a type adaptable to general or continued wear to the extent they might take the place of ordinary clothing. Cash allowances paid to an employee for the purchase of uniforms which are not of a type adaptable to general wear are not wages."

62.22 FEES—Fees paid to employees (and officials) as remuneration for services performed in connection with their employment are "wages." This is these case even if the fees are paid by third parties as, for instance, by members of the public, rather than by the State or by the local government for which the individual works.

A fee is defined as payment for personal services not customarily compensated in a form commonly called wages or salaries and is limited to either:

a. payment for a specific act of a public official performed in his official capacity, including fees of officials fixed by statute, or

b. payment to members of a profession licensed, registered, or certified by the State to perform or furnish a specific professional service for which by custom or otherwise the compensation is a fixed amount. Compensation for any continuing relationship, expressed or implied, shall not be deemed a fee but shall be considered as salary regardless of the method of determining the compensation.

An accurate record of fees received must be kept so that contributions will be paid on the full amount of the fees up to the maximum. If a person also receives compensation which is called salary, all earnings comprising salary and fees must be combined and reported as a single total.

Compensation which is paid at an hourly, daily, weekly, monthly, or annual rate is considered salary, not fees. A fee is payment for a specific act or service. A "per diem" or a "per annum" is not a fee.

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The most common examples of fees are those received by sheriffs, registers of deeds, and building inspectors, and such are generally understood. Other examples of fees are those paid to dog catchers or to inheritance tax supervisors for inventorying services. On the other hand, fees paid to election officials or election workers or to constables are not covered under the Federal-State agreement; the income the constables receive is designated as self-employment earnings, while the nominal payments made to election workers are excluded under the agreement.

The expenses of employees compensated on a fee basis, where they are reasonable and necessary, are not "wages." These include expenses for equipment, supplies, office space, and employing assistants.

62.23 ANNUAL MAXIMUM WAGES—Remuneration in excess of the annual maximum amount is not "wages" in employment by any one employer.

Wages must be reported even though employees are receiving covered wages paid by other employers. Individuals who pay more than the maximum because they are paid by two or more employers may obtain a refund of the amount paid in excess of the contributions due on maximum wages when they file their individual income tax returns. Their employers are not entitled to refunds. In New Jersey, as the State pays the social security tax for members of the Teachers' Fund, wages can be delimited to the maximum, and there can be a refund of employer as well as employee monies payable to the State.

62.24 CONSTRUCTIVE PAYMENTS—Wages are constructively paid when the employee has the right to receive the compensation at a certain time but by choice defers such payment until a later time.

The general rule is that compensation is treated as income as of the date actually paid to the employee or as of the date he has the right to receive the compensation regardless of when the compesation was earned.

62.25 PAYMENTS DURING SICKNESS OR INJURY—Payments under most sick leave provisions in New Jersey public employment are continuations of salary and thus are "wages." Generally speaking, governmental employers are authorized to make payments to employees for salary purposes only. Under these circumstances payments made to employees absent on sick leave are not payments on account of sickness but are continuations of salary.

Such payments are made in spite of sickness and not on account of sickness.

To be excluded, payments on account of sickness must be of the type described in Section 209(b) or (d) of the Social Security Act. These sections exclude sick pay made under a plan or system. These sections also exclude payments on account of sickness not made pursuant to a

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plan or system if such payments are made more than 6 months after the last calendar month in which the employee worked.

Payments made by a State and local government employer can be excluded only if it has the legal authority to pay on account of sickness. Legal authority means an expressed statutory authorization, such as specific provisions in the statutes governing counties and municipalities in granting leaves of absence with pay for stipulated periods to those injured or disabled from employment-related causes. Such sick leave injury payments therefore would be excluded. If there is no legal authority to pay on account of sickness, payments to employees who are absent due to illness are excluded as sick pay, regardless of whether made under a plan or system or made more than 6 months after the last month the employee worked. Evidence that such sick leave payments were made under the stipulated legal authority would be an ordinance, regulation, or resolution of the governing body providing specifically for payments on account of sickness, a separate appropriation for such sick leave payments, or the establishment of a separate sick pay account which can be used to make payments directly to the employee or to reimburse the regular salary account for sick leave payments made from that account.

Where sick leave plans permit the use of sick leave for absences not due to the illness or disability of the employee, such as attending a funeral or when a member of the employee's family is ill, such payments are not excluded from wages. In such a case the employer must be able to identify those which are excluded and those which must be reported as wages. Where payments are made over extended periods of time to employees who are not working because of disability, injury, or long-term illness, they may be excluded if they are not charged against the employee's sick leave or made after the sick leave has been used up as authorized by legal authority. Such payments made after the year the employee died or became entitled to social security disability benefits are excluded.

62.26 WORKERS' COMPENSATION—Workers' Compensation payments are compensation for an injury or disability and not remuneration for employment; they are therefore not wages.

Sometimes an entity is authorized to continue an employee's full salary instead of proceeding with a claim under the Workers' Compensation Act. Payments in lieu of Workers' Compensation are not wages.

An employing entity may supplement Workers' Compensation payments made to an employee, and there are three possible ways:

a. the employee receives the Workers' Compensation check and endorses it over to the employer, and the employer then pays the employee the full amount of his regular compensation;

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b. the Workers' Compensation check is paid directly to the employer who then pays the employee the full amount of his regular compensation;

c. the employee keeps his Workers' Compensation check, and the employer pays him the difference between the compensation and his regular pay.

As Workers' Compensation or payments in lieu thereof are not "wages," the only question involves the regular pay in addition to Workers' Compensation. In most cases the payments are made by the employer on account of sickness and therefore they are excluded from "wages." If they are not excluded as payments on account of sickness, then such regular salary should be reported as "wages."

Sometimes an employer will continue an employee's salary while a Workers' Compensation claim is pending. These payments should be reported as "wages" unless they are excluded as payments on account of sickness. If the employee is subsequently awarded Workers' Compensation, he may pay back the sick leave payments, and if he does, the "wages" previously reported should be deleted.

62.27 VACATION PAY—Vacation pay is wages and must be reported for the employee on the report for the quarter in which the payment is made. The fact that an employee does not return to work after the vacation period does not change this, nor does the length of the vacation.

If the payment is in lieu of vacation, it is also wages and should be reported for the quarter in which the payment was made. If a payment for vacation time in a lump-sum is made to an employee on or after the termination of his employment, it is wages and should be included on the report for the quarter in which the employee was paid.

62.28 DISMISSAL PAY—Dismissal pay (sometimes referred to as severance pay) is pay by an employer to an employee whose services are ended independently of his will or wishes. Dismissal payments are wages.

62.29 PAY FOR NONWORK PERIODS—A nonwork period is any pay period during which an employment relationship exists and throughout which the employee does not do any work for his employer, as for example, where an employee is on a subject-to-call or standby basis or is absent on leave.

Payments made to an employee for periods of nonwork are wages for social security purposes under some circumstances and are not wages for social security purposes under other circumstances. The following rules apply in determining whether payments for nonwork periods are wages:

a. Payments to governmental employees for periods of annual leave are wages and must be reported.

b. Payments while on sick leave made from a regular salary account, or from an appropriation directed solely to salary purposes, to any

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governmental employee while he is absent on sick leave are wages and must be reported, except if a bona fide plan or system eligible for the exclusion in Section 209(b) or (d) of the Social Security Act is in operation.

c. Payments other than those discussed under a. and b. in this section paid to an employee after the month in which age 62 is attained for periods during which the employee performed no work for the employer are not wages and should not be reported. An example of such payments are payments made to employees on a standby or subject-to-call basis for periods of no work.

d. Payments for nonwork periods by an employer to an employee are not "wages" if at the time the payment is made the employee is entitled to disability benefits under social security and the original date of the entitlement is prior to the calendar year in which the payment is effected. This exclusion from "wages" is applicable after 1972.

e. Any payment made by an employer to a survivor or to the estate of a former employee after the calendar year in which such employee died is not "wages." (See section 62.211 below.)

f. Accumulated unused sick leave payable at termination of employment due to death or retirement is not reported as "wages." This differs from accrued annual leave as it would have been paid even if the employment had not terminated.

62.210 PAYMENTS FROM GRANTS—The source of the funds to provide certain services for a public agency is irrelevant in reporting the personnel paid from such funds for coverage if an employment relationship with the agency exists and if the service is covered under the Federal-State agreement.

For example, if a public agency receives a grant from the Federal Government under the Federal Education Act, under the Manpower Training Act, or under any other program sponsored by the Federal Government, the earnings for personal service paid from such grants must be reported by the agency for coverage if the agency recruits, supervises, and directs the workers, and if the Federal-State agreement for the agency covers the service.

The same would be the case if the grant is from the State government or from any private source.

62.211 OTHER MISCELLANEOUS PAYMENTS—

Tax-sheltered annuities—Amounts subtracted from total gross salary for tax-sheltered annuities on behalf of certain school employees are a part of gross salary and thus are "wages."

Deferred compensation plans—Amounts subtracted from total gross salary under a deferred compensation plan are "wages" at the point of deferral.

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Health and medical insurance premiums—Employers may pay health insurance premiums including Part B of the Federal Medicare Program. Such payments are "wages" only if they are made by or on behalf of an employer and they are not paid under a plan or system, paid during the employment relationship and before the end of 6 calendar months after the last month in which the wage earner worked for the employer. If almost all such premiums are paid pursuant to a plan or system, such payments are generally not "wages."

Retroactive wage increases—Such are "wages" and must be reported for the quarter in which paid to the extent that the annual maximum limit will not be exceeded.

Retired employees—Payments are "wages" even though the employee is beyond the retirement age and even though the employee is receiving or eligible to receive benefits. Payments made in a year after the year in which the employee became entitled to social security disability benefits are not "wages" unless the employee performed services during the period for which the payment is made.

Back pay under a statute—Back pay under a statute is a payment by an employer pursuant to an award, determination, or agreement approved or sanctioned by a court or administrative agency charged with enforcing one of these laws:

a. National Labor Relations Act or State Labor Relations Act.

b. Federal or State laws providing reemployment rights to veterans of recent wars.

c. Fair Labor Standards Act or other Federal labor standards legislation.

d. State minimum wage laws or other State statutes protecting rights to employment or wages.

Back pay under a statute is "wages" and can be allocated to periods in which it should have been paid, that is, the month, quarter, and year in which the work was done or in which it would have been done if there had been no violation of the statute. Back pay under a statute which may be allocated is not excluded from "wages" because it is paid for a nonwork period even though the payment is made for periods after the individual attained age 62.

Payments after death of an employee—Amounts earned by an employee prior to his death but paid to a survivor or to his estate after his death are "wages" and should be reported for the quarter in which they are actually or constructively paid, except that such payments to a survivor or to the estate after the calendar year in which the employee died are not "wages." Wages paid in the quarter of death may be counted toward an insured status.

Payments under scholarship and fellowship grants—Scholarship and fellowship grants or stipends are made by various organizations,

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governmental and private, to enable qualified individuals to further their education and training by scholastic or research work or to enable organizations to do research work, etc. For coverage purposes, the status of the amounts received by a recipient of a fellowship or scholarship is dependent upon the treatment of the grant for Federal income tax purposes under Section 117 of the Internal Revenue Code of 1954.

If all or a part of the grant is excludable from gross income under Section 117 of the Internal Revenue Code of 1954, the Social Security Administration and the Internal Revenue Service hold that the recipient does not have "wages" from employment with respect to any part of the grant. Where the Internal Revenue Service rules that the grant is not excludable under Section 117 of the Internal Revenue Code of 1954, the grant constitutes "wages" for coverage if the individual is an employee of the agency and if the service is covered under the provisions of the Federal-State agreement.

The triplicate copy of the report and the duplicate of the transmittal form should be kept as a part of the records of the coverage group.

Stipends during an educational leave—Stipends or continuation of salary paid during an educational leave are "wages" unless such are specifically excluded from gross income for Federal income tax purposes. The purpose of such a leave ordinarily is to enhance the value of the employee in his service for the employer, and the employment relationship with the employer continues during the leave.

Prizes and Awards—Prizes and awards given employees, such as under employee suggestion award programs, are wages and the amount of the prize or award is to be included in the wages reported.

62.212 PAYMENTS OF LESS THAN $50 A QUARTER—There is no minimum wage for coverage in public employment.

All payments for personal service made to an employee of the State or of a local government whose services are covered by the agreement constitute "wages" unless specifically excluded. Therefore, wages in any amount (even if less than $50 in a quarter) must be reported.

Amounts for personal service of as little as $1 must be reported if the service is covered by the agreeent.

62.213 SALARIES OF PUBLIC OFFICIALS—Salaries and fees paid for service as officials of the State or of any local government (including towns, villages, cities, counties, public school districts, etc.) do not constitute self-employment income for social security tax purposes. Such salaries are subject to contributions if the public agency has been included in the Federal-State agreement.

Salaries of public officials covered by the agreement must be reported by the public agency with the covered earnings of all other included personnel. The individual will gain thereby since the contribution rate as a public official (employee) is substantially lower than the

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social security tax rate on self-employment income. Actual self-employment income then should be reported by any such individual only to the extent required to total no more than the annual maximum amount after first considering the gross covered wages reported on his behalf as an employee.

If any official has incorrectly reported public earnings as self-employment income for social security tax purposes he has violated Federal regulations and should communicate with the Internal Revenue Service in order to correct the error. The fact that such earnings may have been incorrectly reported does not relieve the public agency of the obligation of properly reporting such earnings, if the service is covered by the Federal-State agreement. This would require the filing of an adjustment report.

62.214 SOCIAL SECURITY BENEFICIARIES—Employees who are receiving social security benefits must pay social security contributions on all wages even if they are receiving benefits although wages paid to employees receiving social security disability benefits are excluded for years after the calendar year of the social security benefit award.

62.215 PAYMENTS WHICH ARE NOT WAGES—

Expense payments—Amounts paid specifically, either as advances or reimbursements, for traveling or other bona fide ordinary and necessary expenses incurred or reasonably expected to be incurred in the course of duty for the public agency are not "wages." Such traveling and other reimbursed expenses must be identified on the public agency records either by making a separate payment or by specifically indicating the separate amounts where both wages and expense allowances are combined in a single payment.

Employer payments for insurance or annuities—Amounts paid specifically by the employer for any type of insurance or annuities are excluded from the term "wages" in Section 209 of the Social Security Act. Thus employer premiums on health insurance contracts of part or all of the normal employee share of the cost of such coverage, etc. are not "wages."

Certain payments for nonwork periods—Effective after 1972 employer payments for nonwork periods after the calendar year in which the employee died or after the calendar year in which the employee became entitled to disability benefits under the Social Security Act are not "wages" even if paid from a salary appropriation and ordinarily would constitute "wages"; also after 1974 nonwork payments after age 62 for men as well as women are excluded from "wages."

Payments under foster grandparent program—Under the 1973 amendments to the Older Americans Act compensation paid to volunteers under the Retired Senior Volunteer Program and the Foster Grandparent Program is excluded effective May 2, 1973, from "wages."

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Payments after the effective date—Payments made to an employee after the effective date of coverage for service performed prior to such date are not "wages."

Payments under a plan or system—Payments are excluded from "wages" if made under a plan or system established by the employer such as:

a. Payments on account of retirement, and these would be excluded even if they are not made under a plan or system.

b. Payments on account of sickness or accident disability. (See section 62.25.)

c. Payments for medical and hospitalization expenses in connection with sickness or accident disability.

d. Payments on account of death.

e. Payments made on or after the termination of employment because of death or retirement except for payments which would have been made regardless of whether or how the employment terminated.

62.3 RATE AND MAXIMUM WAGES—The total rate of tax and the maximum reportable wages for the various years are shown below.

FICA TAX RATES

For Calendar Years	Employer-Employee Percent Under FICA for Each	Employer-Employee Percent Under FICA of Hospital Insurance Contributions for Each	Total Percent Rate of Contribution
1951-1953	1.5	—	3.00
1954-1956	2.0	—	4.00
1957-1958	2.25	—	4.50
1959	2.25	—	5.00
1960-1961	3.0	—	6.00
1962	3.125	—	6.25
1963-1965	3.625	—	7.25
1966	3.85	.35	8.40
1967	3.90	.50	8.80
1968	3.80	.60	8.80
1969	4.20	.60	9.60
1970	No Change		9.60
1971	4.60	.60	10.40
1972	No Change		10.40
1973	4.85	1.00	11.70
1974	No Change		11.70
1975	No Change		11.70
1976	No Change		11.70
1977	No Change		11.70
1978	5.05	1.00	12.10
1979	5.08	1.05	I2.26
1980	5.08	1.05	12.26
1981	5.35	1.30	13.30
1982	5.40	1.30	13.40
1983	5.40	1.30	13.40

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MAXIMUM REPORTABLE WAGES IN A YEAR

(a) 1951 through 1954—$3,600 paid.
(b) 1955 through 1958—$4,200 paid.
(c) 1959 through 1965—$4,800 paid.
(d) 1966 through 1967—$6,600 paid.
(e) 1968 through 1971—$7,800 paid.
(f) 1972—$9,000 paid.
(g) 1973—$10,800 paid.
(h) 1974—$13,200 paid.
(i) 1975—$14,100 paid.
(j) 1976—$15,300 paid.
(k) 1977—$16,500 paid.
(l) 1978—$17,700 paid.
(m) 1979—$22,900 paid.
(n) 1980—$25,900 paid.
(o) 1981—$29,700 paid.
(p) 1982—Wage base will increase according to average wage level increase.

The employer has the right to deduct from the wages paid to the employee one-half of the total social security rate of tax due. He must match this figure with an equal amount. However, if he does not deduct, or deducts less than, the required amount, the employer is nevertheless liable for the full rate of tax due.

62.4 REPORT FORMS—Before the end of each calendar year, or more often, the State Agency will send each coverage group a supply of transmittal forms, in duplicate, and forms SSA-3963 and SSA-3963a, "State's Annual Report of Wages Paid." If the transmittals and wage report forms are not received by the end of the year, or if additional forms are needed, the State Agency should be notified promptly.

62.5 TRIPLICATE COPIES—Immediately after the close of each calendar year, forms SSA-3963a should be completed in triplicate by each public employer. The preprinted copy of the SSA-3963a should be utilized as page 1 of the original, duplicate, and triplicate copies, while subsequent pages should be typed on form SSA-3963a, "Continuation Sheet." Boards of education who file Unit 002 Reports are also sent special preprinted SSA-3963a continuation sheets on which the social security number, name, wages through prior quarters, and Teacher's Pension and Annuity Fund membership number are included. Substitute forms are not acceptable for these preprinted forms.

62.6 DUE DATES—The original transmittal form together with contributions, late filing penalties, and fees should be forwarded by the employer to the State Agency in time to reach the State Agency by the fifteenth day of the month following the close of the preceding month, in order that the State Agency may prepare a consolidated remittance for

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all coverage groups. For those groups which are required to file quarterly wage reports the due dates are April 15, July 15, October 15, and January 15. For those groups required to file an annual report the due date is January 15.

62.7 INTERNAL REVENUE ADVICE—Beginning with the notice dated May 1966, the Internal Revenue Service advised employers about new rules for depositing social security taxes and withheld income taxes as such taxes are reported on the quarterly return, Form 941. These rules prescribed semimonthly deposits of such taxes as distinguished from monthly deposits. Public employers in the State have questioned whether these notices are applicable to them as they apply to the deposit of social security taxes since they have been remitting social security taxes on a quarterly basis directly to the State Agency for Social Security.

It is unfortunate that the notice from the Internal Revenue Service did not distinguish between public and private employers. Public employers are required to pay social security taxes monthly to the State Agency for Social Security and will continue to remit such taxes with their special social security wage report forms. Such notices, therefore, are applicable to public employers only with respect to withheld income taxes as reported by the use of Form 941E.

Effective in the calendar year 1978, in the private sector there was a change in the frequency of reporting social security wages. However, in the public sector, for those groups which submit social security reports to the State Agency for Social Security, quarterly reporting will continue as in the past for some groups, and all groups will be required to report annually effective January 1981. The Federal Government has implemented monthly deposits for the public sector effective July 1980. It also has proposed annual reporting effective January 1981.

62.8 INSTRUCTIONS—Detailed instructions for preparing the report are found on the back of the report form. In the event that the instructions on the back of the report form are in conflict with these instructions, please follow the ones contained herein.

62.9 EMPLOYER LIABILITY—Each employer is required by law to remit monthly contributions on all covered wages for every covered employee until the "Maximum Reportable Wages" in effect during that calendar year are reached. Contributions must be reported even though the employee is covered elsewhere by social security. One exception to this r • occurs when a member of the Teachers' Pension and Annuity Fund transfers during the calendar year. Then the new employer is required to report only the difference in wages between what was certified by the Pension Division on the Certification of Payroll Deductions and the maximum reportable wages in effect during the calendar year. For example, if $25,000 is certified as social security wages prior to

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the transfer, the new school district should report only $900 in the calendar year 1980.

62.10 A SINGLE WAGE ITEM—An employee's name should be listed only once on any quarterly wage report. If he holds several positions for one employer, or if extra compensation, such as overtime or bonus, is to be reported in addition to his regular salary, the employer should total all of these items and report the total as a single item.

If an employee receives no compensation during the period, his name should not be listed on the report form.

63.1 PREPARING THE REPORT—Normally, headed copies of the report form are received by the employer. If these are not used, all of the information requested in the top portion of the report form should be supplied.

It is absolutely essential that at least the employer identification number and the date the period ended appear on each page of the wage report. All pages should be submitted as a consolidated report and should be arranged in numerical sequence.

Reports must be prepared on a typewriter or business machine as they will be read by an Optical Character Recognition System used by the Federal authorities. Information should be positioned so that it is not entered any closer than one-quarter of an inch to the heavy line on the left side of the form and no character should touch any vertical lines.

The most common problem involves wage items which are reported without social security account numbers. In some cases the identifying information is not shown on all of the pages of the report, and in the separation of the report form by the Social Security Administration in the punching or optical reading of data, some pages may be disassociated from the report, and the transmittal balances are then in question. On occasion the "Date Year Ended" is not shown on all pages and upon disassociation from the entire report, such pages are likewise in question because the Social Security Administration is unable to determine the applicable year. Other problems involve the fact that the total number of pages is not indicated or that the continuation pages are improperly numbered or not numbered at all.

However, the most important single item involves the missing social security number since the payment of taxes by the employee and the taxpayer will go for naught unless the wages can be credited to a particular account, and without the correct number this is not possible.

63.21 FORM SS-5, APPLICATION FOR SOCIAL SECURITY NUMBER—The Federal Social Security Administration identifies covered employees by name and by an individual nine-digit social security account number. It is, therefore, imperative that new employees promptly obtain a social security number and that employers correctly identify

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the employee by name and social security number on social security wage reports.

When an employer hires a new employee, he should check his social security card carefully. The social security account number and name should be recorded exactly as shown on the card. The employer should also make a record of his home address.

If a new employee cannot supply a social security card, he should complete a Federal Form SS-5, "Application for Social Security Account Number," for the employer's records. It is suggested that all employers obtain from their local social security office a supply of SS-5 Forms on which the words "Notify Employer" are stamped or written on the bottom left margin of the form. On the reverse side of the form in the block labeled "For District Office Use," the employer's name and address and the name and telephone number of the person to be notified should be shown. The employee involved should complete the form, and it should be taken or mailed to the nearest social security office. If the form SS-5 is an original application, it must be accompanied by evidence of age, identity, and U.S. citizenship or legal alien status.

Normally the employer will be notified of the social security number in about 1 month. When making inquiries of the social security office the employer should be in a position to supply the following information: full name used in employment, first name, middle name, surname (do not abbreviate or use initials where full name is available); name given at birth, if different; date of birth; place of birth; sex; color or race ("W," "B," or "O"); mother's full *maiden* name; father's full name; employee's full mailing address.

If the information concerning the social security number reaches the employer shortly after the social security reports have been filed with the State Social Security Agency, then the employer should call the State Agency and give the correct number over the telephone. If possible, the State Agency will insert the number on the employer's report. Please call the supervisor of the State Agency for Social Security if you have any questions.

Do not attach Form SS-5 to the Annual Social Security Wage Report as you did in the past if you do not have a social security number for any of your employees. Under the expedited service there should rarely be cases of unavailable social security numbers.

63.22 THE STATE AND LOCAL HISTORY LIST—The Social Security Administration in 1979 released the history list covering unposted items for the calendar years 1973 through 1976. Such lists are released at 2-year intervals in order to allow 1 year to submit corrective information and 1 year for the Social Security Administration to process the correction. These lists include suspense items for the four most recent years. The next list will drop the calendar years 1973 and 1974 and add the years 1977 and 1978.

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In the future the States' Report Data (SRD) Program will be discontinued. Under this program you were advised of those individuals who appeared to have wages which would have entitled them to 4 quarters of coverage, but due to the way the wages were reported, the individuals did not receive proper credit. The Social Security Amendments of 1977 now permit a worker to receive 1 quarter of coverage (up to a total of 4) for each $250 of covered annual earnings paid thus making an annual continuation of the SRD Program unfeasible.

On a periodic basis a Form SSA-5032 (Correction Notice), or a similar form replacing it, will be mailed for items that have been internally reinstated during the processing of the wage reports but are continuing to be reported with an incorrect social security number. Up to three of these notices will be sent. The first notice will be sent for items that have been reported incorrectly for 3 consecutive periods. It will show the last period reported incorrectly along with the correct social security number. If an item continues to be incorrectly reported, a second notice will be sent after seven incorrect reportings and a third notice after eleven incorrect reportings. These notices will be of an informative nature only and will require no reply except for third notices that are sent for items that have been previously listed on first and second notices.

On a yearly basis the form SSA-L4002 should be completed with the corrected social security number and/or name, if available, or any additional employee information that would help identify the employee's correct social security number.

The State Agency for Social Security is vitally concerned that every employee receive full credit for wages reported under social security, and in the view that the State bears the employer's obligation for the thousands of members of the Teachers' Pension and Annuity Fund employed in school districts throughout the State, the State has more than an administrative interest in the accuracy of the reports as filed by all public employers.

63.3 ALPHABETICAL SEQUENCE AND EMPLOYEE COUNT—The names of the employees should be listed in alphabetical sequence. The employee count should be shown in item 4 on page 1 of the wage report.

63.4 SUMMARY INFORMATION—The coverage group should remember that items 9 and 10 on Form SSA-3963 provide the summary for the entire report and should be completed on the first page only. The employer may not show the check number, the amount of the administrative fee, and other extraneous information in the summary box on the face sheet of the wage report. Such information should be shown on the transmittal form.

The coverage group should show on each page of the wage report

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total wages indicated on that page. Each total should be checked to ascertain if the addition is correct.

63.5 ADJUSTMENTS AND EMPLOYEE'S REQUEST FOR STATEMENT OF HIS SOCIAL SECURITY ACCOUNT—Items 11 and 12 should never be used. Adjustments for underpayments and overpayments of contributions will be made by the use of a special form, SSA-3963, "State's Report of Adjustments." This form will be prepared by the State Agency based on information secured from the coverage group. Social security adjustment forms must *not* be filed with the Internal Revenue Service.

Adjustments for underpayments or overpayments are usually necessary when mistakes have been made. Omitting a name from the report, including a name that should not have been included, incorrect names of employees, or reporting too much or too little wages are examples of mistakes commonly made. Employers may not adjust wage reports for prior quarters on the current wage report. If it is necessary to adjust prior periods, the employer should send a letter to the State Agency in which he supplies the necessary information regarding name, social security number, wages that were reported, and wages that should have been reported, and the State Agency will send the employer the necessary adjustment report.

When credit adjustments requesting a refund are involved, the Federal Government wants an explanation which is sufficient for them to make a determination that the refund is proper.

The Federal Government suggests that any employee who is covered by social security should periodically write to the Social Security Administration in Baltimore to verify that proper wages have been reported in his social security account. A covenient "Wage Statement Request" in post card form may be obtained at the local social security office.

We recommend that all public employees who are covered for social security send one of these post card forms to the Social Security Administration in Baltimore once every 3 or 5 years to be certain that their wages have properly been reported to the Federal Social Security Administration.

63.6 CHECKS—The employer should forward each month the transmittals form and all employer and employee contributions due on wages paid the previous month. In addition, if timely remittances are not being submitted, another check must be included to cover the late filing penalty. The check for the contributions should be made payable to the "State of New Jersey, Social Security Fund," and the check for the late filing penalty should be made payable to the "State of New Jersey, Social Security Penalty Account."

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The employer should list the check numbers on the transmittal form and should make certain that the checks contain all required signatures.

63.7 PENNY BREAKAGE—In computing the amounts of the taxes due, fractions of one-half cent or more should be increased to the next higher penny; fractions of less than one-half cent should be dropped.

63.8 MAILING ADDRESS—The reports with the checks are to be mailed to the State Social Security Agency, Division of Pensions, P.O. Box 2058, Trenton, N.J. 08625.

63.9 INTEREST—If the employer's remittances will be late, he should submit the contributions as soon as possible, because the Federal authorities will charge interest for late remittances. Interest is computed at the rate of one-half of one percentum for each month or part of a month, for late filing of contributions.

63.10 LATE FILING PENALTY—Each monthly transmittal form shows a daily penalty factor for $1 of contributions remitted late. This factor will change from time to time based upon current money costs. Computations are explained on the reverse side of the transmittal form. The amount of the penalty is due at the time of remittance of late contributions.

64.1 INTERSTATE INSTRUMENTALITIES AND THEIR REPORTS—As coverage for employees of interstate instrumentalities can be secured only by means of a separate agreement between the instrumentality and the Federal Government, the instrumentality itself becomes liable for the preparation of its own wage reports which are to be mailed directly to the Federal Government.

64.2 OVERPAYMENT OF SOCIAL SECURITY TAXES—Each employer must deduct social security taxes on covered wages up to the maximum reportable wages in effect during a calendar year. Such wages and deductions must appear on the employee's W-2 forms given to him by all employers so that they are in his possession at the time of the year when he must file his income tax return. He can file for a refund of his overpayment of social security taxes on his income tax report if the W-2's show total wages subject to social security (F.I.C.A.) in excess of the maximum reportable wages and the excess was caused by several employers reporting up to such maximum. The refund will be considered as additional withholding tax.

This refund is possible only when multiple employers are involved. If a single employer erroneously deducts taxes on wages in excess of the maximum reportable wages for any employee, the employer must refund the overpayment directly to the employee and file an adjustment form with the State Agency in order to secure a credit for the overpayment. This matter of a refund of social security taxes is of particular significance to those employees who transfer from one employer to another during the course of a calendar year.

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64.3 REPORTING INSTRUCTIONS APPLICABLE TO SCHOOL DISTRICTS—School districts are instructed to prepare two separate reports for social security purposes. This separation is required to enable the State Agency for Social Security to calculate and request from the State the employer's share of the social security tax due for members of the Teacher's Pension and Annuity Fund.

The statute not only provides that the State will pay the employer's share of the social security tax on covered wages paid to members of the Teachers' Pension and Annuity Fund, but specifies that the State's share will be limited to that portion of covered wages constituting base salary paid. This means that the school district must pay the employer's share of the tax on that portion of covered wages constituting extra compensation as such payments are not subject to the Teachers' Fund.

64.4 UNIT REPORTS—In addition to the employer identification number and the date the period ended, school districts must remember to add the unit number to every page of the wage report. All pages of each unit report should be submitted as a consolidated report for that unit. Be certain to use the correct transmittal for each unit.

Unit 001 pertains to all covered employees of the school districts who are not members of the Teachers' Pension and Annuity Fund, and as such should include employees who are members of the Public Employees' Retirement System.

Unit 002 pertains to all members of the Teachers' Pension and Annuity Fund and may include those employees for whom enrollment applications or transfer forms have been filed with the fund, but for whom certifications have not been received by the time the social security reports are to be forwarded to the State Agency.

64.5 UNIT 002, SINGLE WAGE ITEMS—If a member of the Teachers' Pension and Annuity Fund receives both base salary and extra compensation paid in any calendar month, the total of these payments is to be reported as a single wage item on the Unit 002 Report.

64.6 CHECKS—School districts are to forward with each transmittal form checks covering the month as follows:

A) Unit 001—total covered wages of all employees who are not members of the Teachers' Pension and Annuity Fund.

1) A check payable to the "State of New Jersey, Social Security Fund," representing the employees' and employer's shares of the tax which is computed by multiplying covered wages for all employees, by the full rate in effect during the calendar year.

2) A check payable to the "State of New Jersey Social Security Penalty Account" if remittances are filed late.

B) Unit 002—total covered wages of all members of the Teachers' Pension and Annuity Fund, including those not yet certified by the fund but for whom enrollment applications or transfer forms have been filed.

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1) A check payable to the "State of New Jersey, Social Security Fund," representing the employees' share of the tax and computed by multiplying covered wages for all employees by one-half of the full percent rate in effect during the calendar year, and an amount representing the employer's or school district's share of the tax computed by multiplying covered wages constituting extra compensation paid (as distinguished from base salary subject to the pension fund) by one-half of the full percent rate in effect during the calendar year. The State will pay the employer's share of the tax on that portion of covered wages constituting base salary paid.

2) A check payable to the "State of New Jersey Social Security Penalty Account" if remittances are filed late.

As many as two checks may accompany the district's unit reports each quarter; the State Agency provides a transmittal form to facilitate the identification of those checks.

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CONTRIBUTIONS ACCOUNTING

65. THE ACCOUNTING BUREAU—The Accounting Bureau has its functions divided between four sections or units. The work of the Report Control Unit is detailed below beginning with section 65.1, the Receipts, Disbursement, and Mail Section with 66.1, the Quarterly Audit Section with 67.1, and Biweekly and Social Security Audit Section with 68.1.

The discussion of the work of the Accounting Bureau is followed by a description of the work of Data Processing and the Office of the Chief Accountant which, while they are not part of the Accounting Bureau, have direct relationships with the various sections of the Accounting Bureau.

65.1 REPORT CONTROL UNIT—This unit centralizes the maintenance of control files and records for the Accounting Bureau. Such records include the quarterly reports of contributions and control files for the receipt and processing of such reports, delinquent notices and the mailing of report forms, and the annual report of salary changes.

65.2 QUARTERLY REPORTS—Monthly transmittals are received from the receipts clerk and recorded in the control file. On the due date Data Processing supplies a tabulated list of delinquent groups, and this list is compared to the control file. Delinquency notices are mailed to reporting groups when necessary, and a list of delinquent groups is given to the field staff. A revised delinquency list is given to the office of the Chief Accountant for the assessment of statutory interest.

The reports of contributions are received from the mail clerk and are scanned for missing pages or sections. They are placed in alphabetical sequence and are deleted from delinquency list. The receipt date is recorded, and the monthly transmittals are pulled and attached to the quarterly transmittal and report. The reports are placed into batches and identified as to receipt date, number of reports, and number of pages.

After audit the Control Unit marks the control file and forwards the batches of reports with attached transmittals to the Input/Output Control Section for action to Data Processing. Daily production records are noted and results are given to the Bureau Chief. After reports are returned to the Control Section, they are again placed into alphabetical sequence, the control file is noted, and the reports are filed. Such reports may be pulled if reference is required by other administrative bureaus.

65.3 MAILING OF REPORTS—The Control Unit is responsible for the mailing of all reports of contributions and the annual reports of salary changes. In the case of the reports of contributions, they are received in

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triplicate from Data Processing on continuous form; they must be burst and arranged according to employer. An original and a pink copy of the Quarterly Report, transmittal forms in duplicate and identified as to the reporting entity and due date, and preaddressed return envelopes are enclosed in addressed envelopes for mailing. Files are maintained on a current basis in order to have an up-to-date record of address.

66.1 RECEIPTS, DISBURSEMENTS, AND MAIL SECTION—This section of the Accounting Bureau is responsible for the receipt and disbursement of all monies pertaining to the several retirement systems, as well as the processing of incoming mail for the Division.

66.2 RECEIPTS UNIT—The Receipts Unit receives remittances from members, employers, the State Treasurer, other pension funds, and from other sources.

The major effort of the Receipts Unit is to identify these payments and to deposit them on the day of receipt. It may be a check in payment of a shortage given on an adjustment statement, the establishment of prior service or Class B credit, a shortage in an individual account, a transfer of money from one system to another, a payment of a loan obligation, a payment by the State Treasurer of an appropriation or a payment by any other employer based on his billing notice, a return of a withdrawal check, a personal payment by a member for contributory insurance while on leave of absence, the receipt of interest on investments, and payments for Supplemental Annuities.

In this operation the Receipts Unit must determine the reason for the payment and if the amount of the remittance is correct, as well as the account to be credited. Daily production records are maintained. Manual receipts are transmitted to the Bookkeeping Section, and the deposit is proven with them. Monthly and quarterly transmittal receipts are sent to Data Processing by 10 a.m. daily, and this deposit is proven to the daily tabulated listing. Interested administrative bureaus are notified of the receipts generated by their actions.

66.3 RECEIPTS UNIT, DEPOSIT PROCEDURE—The Receipts Unit must review each receipt and verify that the checks are in agreement with the transmittal information. Checks are separated from the transmittals and sorted as to bank accounts. Deposit slips are prepared, while the transmittal and summary of receipts are forwarded to the Bookkeeping Section and Data Processing. After the totals are verified, the checks and deposit slips are forwarded to the respective banks. All transmittals affecting members' accounts are forwarded to the Input/Output Control Section for processing.

66.4 DISBURSEMENT UNIT—This unit is responsible for the disbursement of all monies on behalf of the several retirement systems. This unit prepares the retirement payrolls, issues manual checks, processes

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requests of retirants concerning the health insurance group plans, and answers all inquiries from retirants and beneficiaries.

66.5 DISBURSEMENT UNIT, PENSION PAYROLLS—A pension payroll worksheet is prepared showing the balances of the previous month's payroll. To this is added the listing totals of the new retirants processed by the Retirement Bureau during the month to Data Processing. From this payroll, deaths and cancellations are deleted. In addition, all changes authorized by the respective administrative bureaus are made. These serve as the basis for the new pensions payroll and this is reconciled to the register of checks prepared by Data Processing. An entry is given to the Bookkeeping Section for posting. Applications for health insurance continued into retirement as well as applications to change coverage due to Federal Medicare are processed by this unit.

66.6 DISBURSEMENT UNIT, OTHER PAYMENTS—On the basis of various types of authorizations, checks may be issued and reconciled for bookkeeping records for the purpose of the payment of withdrawals, loans, death claims, rebates, payments to retirants after the pension payroll has been processed, investments, transfers, and the payment of insurance premiums to the carriers.

The manual checks are verified against the authorization while the date of completion is entered on the control journal. Check numbers and dates are entered on withdrawal and death benefit forms which are sent to the Records Section for filing in the member's folder. All checks are forwarded to the Cash Control Unit of the State for the Treasurer's signature and mailing. Normally, checks are mailed on Fridays.

A summary of premium reports is prepared to accompany checks payable to the carriers for health insurance coverage. A listing is also forwarded to the carriers showing conversions and deletions of coverage.

66.7 MAIL UNIT—From four to six sacks of mail are received by the Division daily. In most instances the morning delivery is much heavier than the afternoon delivery. Pieces of morning mail, identified by green- or brown-bordered, self-addressed envelopes, are given priority because they contain transmittals and checks. These must be opened, time stamped, and distributed to the Cash Receipts Unit or Social Security Unit by 9 a.m. to expedite the daily deposit. Then other mail is opened and the contents are time stamped and sorted. Normally the morning mail is distributed by 11 a.m., and the afternoon mail is distributed by 2:30 p.m.

67.1 QUARTERLY AUDIT SECTION—The Quarterly Audit Section is responsible for the audit of the Quarterly Reports received from all employers, primarily on the Quarterly Report forms for pension, contributory insurance, Supplemental Annuity, and Tax-Sheltered Supplemental Annuity purposes. They are also responsible for the audit of

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the accounts of State employees paid through Centralized Payroll and reported to the Division on Contribution Status microfiche quarterly. Their area of responsibility includes the audit of Alternate Benefit reports involving participants included on State payrolls.

67.2 **QUARTERLY REPORT PREAUDIT PROCEDURE**—The reports and transmittals are received from the Report Control Unit. They are distributed by the section supervisor to the audit clerks for review. The principal purpose here is to audit the cash received, as shown on transmittal forms, against the totals given on the Quarterly Reports for pension, contributory insurance, Supplemental Annuity, and Tax-Sheltered Supplemental Annuity.

The next step is to inspect all changes. Particular attention is given to determining if contributions are based on a full month's base salary as reported, name changes, dates of leaves and terminations, additions of new members to the report, and verifying that the correct base salaries subject to pension, as explained in the "Remarks" column, are reflected in column 8 of the report.

67.3 **COMPUTER AUDIT**—The audited reports and transmittal forms are returned to the Report Control Unit and then forwarded to Data Processing through the Input/Output Control Section. In this procedure, control totals are established in order to determine the validity of the audit. The resulting list of exceptions or problem cases is returned from Data Processing for zero balancing.

67.4 **POSTAUDIT PROCEDURE**—The Quarterly Audit Section will review the list of apparent overages and shortages as determined by Data Processing. Overage and shortage adjustment forms are forwarded to employers. The section will prepare statements in instances where these adjustments are not satisfactorily resolved before the close of the accounting cycle. A record is maintained showing the number of exceptions each quarter and for each reporting group.

67.5 **STATE STATUS CONTRIBUTION REPORT**—Unlike most other employers who report through the means of the Quarterly Report of Contributions, the State Centralized Payroll Unit forwards microfiche records to the Accounting Bureau. These records are processed in order to verify that the amount of the contributions to be posted equals the amount of the receipts for that period. The record indicates the payroll period, payroll number, pay period number, membership and social security numbers, percent rate, the actual salary for the biweekly pay period, the normal contribution, the arrears payment, the loan payment, the total pension contributions, insurance contributions, and Supplemental Annuity contributions. This information is summarized for each member and is posted to the member's master record.

67.6 **BIWEEKLY AUDIT PROCEDURE**—Before posting, the Biweekly Audit Section must reconcile cash. Audit exceptions indicated

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by Data Processing, after it performs a machine audit of the tape records submitted by the State Centralized Payroll Unit, are corrected after accounts are posted. The Biweekly Audit Section reviews all forms received from the Civil Service Department and routes them to various bureaus. Those having membership numbers are sent to the Records Section to be filed in the members' folders. They are available when it is necessary to verify changes or status under Workers' Compensation or military leave status.

The section is also responsible for replying to inquiries made by State employees concerning their accounts and storing the various logs of accounting data.

67.7 OTHER RESPONSIBILITIES—The Quarterly Audit Section performs a variety of audit steps to assure the accuracy of the accounting data. It prepares annual audits for dual or multiple enrollments; it audits the accounts having unpaid obligations toward which no payments are currently received; it audits accounts for various periods upon the request of the members concerning their annual account statements and works with employers and the field staff in resolving reporting problems.

68.1 SOCIAL SECURITY AUDIT SECTION—This section performs in two capacities. It is responsible for the social security program which involves receiving report forms from the Federal Government and mailing these reports to all covered groups within the State. These are completed by employers and returned to this section with checks covering taxes, penalties, and fees if due. In conjunction with Data Processing, reports are reviewed for accuracy. The checks are deposited, adjustments are made, State billings are prepared, and the original copy or tape record of the completed social security reports and a tabulated listing are sent to the Federal Government together with a certificate of deposit for the total amount of taxes due.

69.1 SOCIAL SECURITY AUDIT PROCEDURE—The monthly transmittals and quarterly or annual social security reports are received by the mail clerk from each reporting entity. These are given to the Social Security Section which time stamps them, batches them in groups of approximtely 50, and gives them to Social Security deposit clerks who compare amounts on transmittals to checks and reports. Any variances are brought to the attention of the supervisor. Tapes are prepared of all items on the transmittals, and the transmittals are assigned batch control numbers. They are forwarded to Data Processing where they are keypunched and processed through an audit program. The results appear as a tabulated run. This is used as a deposit proof and for identifying liabilities as well as for the establishment of exception items to be reviewed in detail.

The Social Security supervisor or the assigned deposit clerk will contact the coverage group when an error is detected. On occasion a

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problem is referred to the Supervisor of Field Services, so a visit for reporting instructions is made to the coverage group.

69.2 CASH RECEIPTS—Time is of the essence because late filing or remitting will result in State penalties and Federal interest assessments. The controlling date will be the date the transmittals and checks are received in the State Agency. Checks are reviewed for negotiability and are compared to amounts shown on the transmittals, and if in agreement they are separated as to contributions, penalty fees, and administrative fees if any, and tapes are prepared. The transmittals are referred in batches to Data Processing with control totals in accordance with their time schedule. Data Processing returns a tabulated run of the transmittal form information, and if the totals agree with the check tapes, the deposit is made. The batches for the day are combined by Data Processing, and tabulating lists of daily totals are used as a source for bookkeeping entries and to determine the State's liability and amount due to the Federal Government. Data Processing stores the information for quarterly or annual reconciliation and for various other reports and projects. The Federal Government is sent either a copy or a tape of all the wage reports received by the State Agency together with an SSA-3962. The State Agency keeps copies of all reports for approximately four years.

69.3 BILLING THE STATE—At the end of each month the State is billed by the Social Security Agency for the taxes due for State employees including employees of relative State agencies. The State is also billed for the taxes due for Unit 002 reports, covering the members of the Teachers' Pension and Annuity Fund.

69.4 GENERAL LEDGER ACCOUNTS—Deposit accounts are maintained for the collection of taxes, penalties, and fees received. Receivable and payable accounts are maintained for taxes, penalties, fees, and interest. The State may advance the interest due from a public employer in order to prevent the further accumulation of interest and bill the employer for the amount advanced. Liability accounts are maintained for contributions due to the Federal Treasurer as well as administrative fees and penalties due to the State Treasurer.

69.5 THE BOOKKEEPING OPERATION—The bookkeeping operation is under the direction of the Chief Accountant. The section maintains the General Journal, Cash Receipts and Disbursements Journals, the General Ledger, and subsidiary records as well as the Adjustment Journal. This latter journal is used to give effect to the adjustments resulting from the receipt of Federal notices.

69.6 INTEREST CHARGES AND LATE FILING PENALTIES—All interest charges are levied by the Federal Government. Letters imposing such charges are received by the State Agency, and in turn, the employers involved are notified by the State Agency. Interest is calcu-

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lated by multiplying the contributions due by the number of days the report is considered late by the Federal Government, divided by 365 times 6 percent.

The late filing penalty is due on all remittances which will not reach the State Agency by the due date shown on the transmittal. The late filing penalty rate, which is shown on the front of the transmittal, is based upon current interest factors. Unlike Federal interest assessments which should not be remitted until assessed by the Federal Government, the late filing penalties are due when the transmittal and remittances are sent to the State Agency. Detailed instructions and samples for computing penalties have been sent to all reporting groups.

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DATA PROCESSING

70. THE OFFICE OF DATA PROCESSING SERVICES—The Office of Data Processing Services directs the work of the Data Processing Input/Output Control Section (DP I/O Control Section) and supplies direction to the data processing developments within the Division. The priorities and requirements of new data processing systems and modifications to existing systems are developed and controlled from the Office of Data Processing Services in the Division of Pensions. New data processing applications and areas of work which should be converted from manual to computer operations are studied and plans made to implement data processing procedures. New applications, resulting from changes to statute or the advent of new benefit programs, begin in the Office of the Chief of Data Processing Services. After the project has been studied and the best method of satisfying the data requirements has been determined, the office issues detailed instructions to the Systems and Programing Section of the Bureau of Data Processing in the Treasury Department. It then becomes the responsibility of Data Processing to develop the details of the application in the Systems Analysis Unit and the computer programs required in the Applications Programing Unit.

The basic responsibilities of the Office of Data Processing Services are to initiate new computer applications and program modifications, to assign priorities for the completion of these projects, to detail the project requirements in terms of data requirements, timing, and operations procedures, and to monitor the progress of the project to assure its completion within the established schedules.

A further responsibility of the Office of Data Processing Services is the supervision of the Data Processing Input/Output Service. This service is responsible for preparing all data input for processing by the computer. The Data Entry Section, within the DP I/O Control Service, performs this task under detailed record formats and within established schedules. The DP I/O Control Service is responsible for the accuracy of the work processed to Data Processing and for the accuracy of the work performed by Data Processing. The operation involves the use of control registers which are established as the data are processed to machinable form, the recording of dates, and the establishing of schedules for the computer operation and the checking, when computer results are available, to assure that the established controls are correct and that the work has been performed accurately and timely. This service is also responsible for the maintenance of a master library of magnetic tapes and disks which contain vital records in case of fire or inadvertent destruction in Data Processing.

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71. TECHNOLOGY—While audit, payroll, accounting, and the maintenance of member records are still the prime objectives of the EDP function, management controls and reports and the mass production of printed data are provided by the recordkeeping facilities of the system. The technology involves the use of: (1) punched-card codes, (2) computer languages, (3) the data processing equipment capabilities and limitations as such related to storage, input/output speeds, calculating, decisionmaking, data arrangement, and grouping including the use of magnetic tape facilities and random access disk storage, (4) electronic calculation, (5) internal self-checking devices and techniques and their reliability to uncover malfunctions and error conditions, (6) input and output components and remote communication devices, (7) flow charts and logic diagrams in planning and evaluating programs and internal controls, and (8) systems analysis and design in evaluating development of new systems and changes in operational techniques of present systems.

72. HISTORICAL DEVELOPMENT—Over the years the Division of Pensions has pioneered the use of data processing techniques in order to do its work. There were five stages of development:

(a) The punch-card accounting machines prepared the thousands of monthly pension checks and the Quarterly Reports of Contributions pertaining to the major pension funds. Such equipment required the use of additional machines such as sorters, collaters, reproducers, and interpreting machines, in addition to the keypunch and keyverifier. Basically, the processing was done in a uniform standard sequence to proceed from input data to specific end products. For example, information on input documents is punched into cards which then can be sorted in the desired sequence and grouped by type with processing and printouts at each desired stage. Finally, sorted and grouped cards may be extended, footed, posted, and summarized to produce reports, accounting records, or pension checks. Generally, the system is similar in many respects to an EDP operation, but it is of limited ability, considerably slower, requiring much more manual processing, and as such, subject to a larger ratio of error.

(b) In 1958 the Division installed the first of a series of electronic calculating machines. The equipment that was installed was capable of a very limited amount of calculation and decisionmaking and did not have computer memory as it is now considered. The electronic calculating punch could not store data, nor could it process more than one member at a time. The input was from punched cards, and the output was into punched cards. Each input card was calculated and extended and the results punched into the output card. The operation was extremely slow; however, it was a significant replacement over the punched card accounting machine.

(c) Electronic Data Processing equipment became operational in the Division of Pensions in September 1962. EDP operates at electronic

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speeds, is extremely versatile, requires little manual participation, and is controlled by elaborate EDP programs of instruction which are fed into the memory portion of the central processor unit. This second generation of computer was characterized by the use of punched cards as the media for entering and retrieving data. The Division's first electronic computer was limited in that its capacity to store data and its memory was small.

(d) An EDP Magnetic Tape System became operational in December 1966. This computer is a second generation computer, and its capacity is greater than the system installed in 1962. Input and output processing and the storage of member's records are facilitated by the addition of magnetic tape.

(e) In 1972 the Division of Pensions installed a third generation computer capable of much higher speeds and additional capabilities. One of the most important features of the system was its random access capability. Data for each member of the retirement systems could be stored in such a way that the information is available at any time. This availability provided the Division with the means to credit contributions to a member's account immediately and to extract from the random access equipment the member's current position through the use of remote inquiry terminals. Although this third generation computer was classified as a medium-sized data processing system, it was selected to meet all of the needs of the Division of Pensions and allow the Division to combine the data of the employee benefit programs into one record for each member. In addition the random accessability will improve the service which the Division is able to provide to the members and participating employers.

The necessary accounting and actuarial data pertaining to the account of each member of the State-administered retirement systems will be on the line at all times and thereby available to each bureau or section through the use of remote devices making inquiry of the central unit. Magnetic tape units, although still much slower than internal computer operating speeds, are capable of transmitting data to the computer at the rate of thousands of digits or characters per second.

(f) In early 1974 it became obvious that if the Data Processing Services in the Division of Pensions were to continue to expand to provide more efficient recordkeeping at a lower cost, the computer installation in the Division would have to acquire additional equipment. The random access capability had been fully utilized, and an expansion of this capacity became necessary.

During a feasibility study regarding the present and future needs of the Division, it was decided that equipment, with considerably more random access ability and faster processing speeds, then available within the Treasury Department, could be utilized. This decision, which involves the sharing of computer equipment with other units in the Treasury Department, resulted in the transfer of the operational respon-

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sibilities to the Data Processing Bureau in the Treasury Department. A period of conversion was planned, and in October 1974 the Division released its in-house computer and transferred the operating responsibilities to the Treasury Data Center. To control the processing of members' records and to protect these records, the Data Processing I/O Control Section was created, and the responsibility for program development was retained by the Division of Pensions.

73. **DESIGN OF EDP SYSTEMS**—The systems sequence or pattern of designing an EDP system is as follows:

(a) The initial step is a feasibility study. In some cases the study is completed several years before the equipment is ordered and many additional months elapse before delivery. In the Division of Pensions the need for greater speed, versatility, storage, and memory has always been present as new programs are added to ever-expanding systems of public employee benefits. Such need made administrative officers of the Division search for more economical, efficient, and functional approaches to the accounting, actuarial, reporting, and disbursement problems of the several programs. As a result of the study, reports are prepared recommending action, usually involving a new complex of EDP equipment which is financially feasible.

(b) The next step follows directly from the study since it requires that each job to be performed be defined as to what reports, listings, and special products are to be provided, designing the source documents and data gathering procedures to speed the flow through the system.

(c) Once the jobs have been defined, the basic work of systems design begins. This may be called systems analysis. It involves the preparation of flow charts showing the relationship between the various functions and operation. On this skeleton of system design is hung the block diagram which details the various machine and manual operations required to accomplish what has been charted.

(d) Using the diagram prepared by the systems personnel as a guide, the programers prepare a set of processing instructions for the computers which will permit them to perform the necessary functions in the proper sequence and in the least amount of machine time. The newer computers facilitate programing by the use of special computer routines, instructions supplied by the manufacturer for certain standard operations.

(e) Accompanying programing is the testing and debugging of each application so that errors in the system and in each program are detected and corrected.

(f) Each new installation of successive computers in the Division of Pensions has been accompanied by a parallel operation so that the older system or backup system is available or being employed for a time after the new system is placed in operation. The results of the two operations

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can be compared and evaluated to determine that all errors in the new programs have been detected and that the objectives of the new system have been met.

In summary the Division of Pensions has moved persistently but cautiously in the use of data processing equipment as tools to do its work. Changes in machinery have been delayed only when the necessary personnel, particularly in the systems and programing areas, were unavailable.

74. DATA PROCESSING SERVICES—The actual data processing work of the Division is performed on a shared equipment basis with other units in the Treasury Department. The continued responsibility of the Division is centered in the Office of Data Processing, and specifically in the Data Entry and Control Sections.

74.1 DATA PROCESSING INPUT/OUTPUT CONTROL SERVICE—The Data Processing Input/Output Control Service is made up of the Data Entry and the Input/Output Control Sections. The data input, which must be controlled as to accuracy and timeliness, is created by the Data Entry Section. These functions are combined and placed in the Office of Data Processing Services, thereby providing unit supervision and convenience of scheduling.

74.2 DATA PROCESSING INPUT/OUTPUT CONTROL SERVICE, CONTROL FUNCTION—The operation of any major accounting system which is to be performed by computer equipment requires external as well as internal control over the data transmitted to and received from Data Processing. In the Division of Pensions the system which has been evolved is one which provides for such information as is posted by the Bookkeeping Section to be verified against those items processed by Data Processing. This is effected by the DP I/O Control Section which receives information from the administrative bureaus and establishes control registers against which the General Ledger postings and the tabulated transactions are checked.

74.3 DATA PROCESSING INPUT/OUTPUT CONTROL SERVICE, OTHER FUNCTIONS—Through the use of similar controls the DP I/O Control Section performs other services as administrative functions of the Division. One procedure is to verify that the items not controlled by a General Ledger posting are processed properly by Data Processing. This would include such items as back deductions or arrearages, changes in projections, new purchases, etc.

Control registers are maintained currently and are employed in proving the tabulations of transactions processed and providing totals to facilitate proof of the accounts by the Internal Auditor.

Finally, by isolating information the DP I/O Control Section provides control data for the State Centralized Payroll Unit relative to those members of the retirement programs paid and reported by that unit.

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74.4 INPUT/OUTPUT CONTROL PROCEDURES—The following items are subject to control as indicated:

(a) **Enrollments and Transfers**—New enrollments and transfers are received in groups from the Enrollment Section. The enrollments are in membership number order and the transfers are in assigned transfer number order. After the numerical sequence has been reviewed, batch numbers are assigned and recorded in a Control Register together with the number sequence against which it applies. The applications and transfers are then forwarded to Data Processing for action and verification. The subsequent tabulation is reviewed to insure that all items have been processed. The dollar totals of arrears, back deductions, and accumulated salaries, and total months of service developed are entered in the Control Register. The number of certifications of new enrollments and changes in the Supplemental Annuity Program is determined, entered in the Control Register, and submitted to Data Processing for action and subsequent verification.

(b) **Projection Change Forms**—Such forms are received from the administrative bureaus and are entered in a Control Register covering items such as months of service, back deductions, arrears, loans, and contributory insurance premiums. These forms are then forwarded to Data Processing for action and verification.

(c) **State Centralized Payroll Unit**—The DP I/O Control Section acts as the transmitting agent for all new information to be forwarded to the State Centralized Payroll Unit regarding enrollments and transfers, projection changes, loans, arrears, Supplemental Annuities, etc. Batches are maintained in a control register appropriate to the effective payroll dates. The material is processed by Data Processing and after verification is forwarded to the State Centralized Payroll Unit.

(d) **Journal Entries**—Blocks of control numbers are assigned to the administrative bureaus of the Division. Journal entries within the assigned blocks are accepted by the DP I/O Control Section after approval by authorized personnel within the respective bureau. The journal entries are batched and forwarded to Data Processing for action and verification. A monthly controlling entry covering all journals processed for the month is prepared, verified with the Bookkeeping Section, and forwarded to Bookkeeping for posting into the General Ledger.

(e) **Miscellaneous Entries**—During each accounting period various entries affecting members' accounts, but not the General Ledger, are necessary. All of these transactions are entered in a control register maintained by DP I/O Control Section showing increases and/or decreases in items such as loans, back deductions, arrears, months of service, members' contributions, accumulative interest, base salary, etc. These items are batched and forwarded to Data Processing for action and verification.

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(f) **Personal Contributions**—Personal contributions and shortages included in the weekly report of receipts received from the Cash Receipts Section are recorded in a Control Register and summarized as to the nature of the receipt, i.e., Annuity Savings Fund, loans, arrears, etc. This is then forwarded to Data Processing for action and verification.

(g) **Refunds and Overages**—Duplicate statements of overages and copies of refund authorizations are received from the administrative bureaus and are entered in a Control Register. These are forwarded to Data Processing for preparation of a tabulation prior to the issuance of checks. After verification by DP I/O Control the checks are issued and a disbursement register is prepared. The disbursement register is compared with the Control Register prior to the forwarding of the checks to the Disbursement Section.

(h) **Loans**—Copies of loan applications received by the DP I/O Control Section from the Loan Section are counted and batched. The Annuity Savings Fund balances of the borrowers are summarized, and the total entered in a Control Register together with the batch number and the number of loans. The applications are then sent to Data Processing which prepares a tabulation of the foregoing items. After verification that section computes the maximum loan, determines that the amount requested is within permissible limits, computes the loan repayment schedule, and prepares the checks and the loan disbursement register. The total number of checks issued is compared with the total number of applications in the batch and verified. Totals of the cash disbursed, interest charged, and amount of loans are recorded in the Control Register. The loan register and the checks are then forwarded to the Disbursement Section.

(i) **Withdrawals and Death Claims**—Data relative to death claims, withdrawals, and expired accounts are received from the Claims Section in batch form and recorded in a control register. The data are then forwarded to Data Processing for tabulation. Upon verification the checks and disbursement register are prepared by that section. These are compared with the Control Register and then forwarded to the Disbursement Section. The tabulation of expired accounts is verified and serves as the basis for a journal entry terminating their active status.

(j) **Retirements**—The Retirement Register is received from the Retirement Section, and the sequence of retirement numbers, the totals of the Annuity Savings Fund, and the accumulative interest are recorded in a Control Register. The Retirement Register is then forwarded to Data Processing for proof of these items. After 100 percent verification the reserve transfers are computed, and a complete tabulation is forwarded to the Bookkeeping Section for journalizing. Cards initiating the addition of new retirants or new beneficiaries are received from the Retirement Section. These cards are batched, and data relative to regular pension allowances, supplemental allowances, and increased pensions are en-

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tered in the Control Register prior to transmittal of the cards to Data Processing for tabulation and addition to the payroll. Upon verification of the tabulation by the DP I/O Control Section, the cards are forwarded to the Cash Disbursement Section to be filed for further reference as required.

(k) **Health Benefits**—A Control Register is maintained in which additions, deletions, and changes in coverage are recorded for each month. The final summary of types of coverage is reconciled with the totals of the types of coverage as produced by Data Processing.

(l) **Delayed Enrollments**—In addition to the data controlled under (a), Enrollments and Transfers, the amount of the employers' obligations is verified and controlled. Adjustments made to the employers' liability are also controlled.

(m) **Pension Adjustment Program**—During each accounting period various cash receipts, cash disbursements, and adjustments affecting this program occur. Data relative to these operations are forwarded to the DP I/O Control Section; there the information is batched, recorded in a Control Register, and forwarded to Data Processing for tabulation. After the tabulation is verified the data are retained for later use in proving General Ledger balances and individual employer accounts.

74.5 QUARTERLY AND WEEKLY LOGS—Each administrative bureau is furnished with a microfilm of the most current statement of members' accounts. However, weekly reports of interim transactions are also prepared and updated in order to supply intermediate information concerning each change in the accounts.

74.6 MEMBERS' ACCOUNTS—The active accounts of members of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Police and Firemen's Retirement System, and the State Police Retirement System are maintained on magnetic tape for use by Data Processing and on microfilm for the use of the administrative bureaus and sections.

74.7 QUARTERLY CONTRIBUTION REPORTS—Quarterly Reports of Contributions received from employers are entered in a Control Register as to amounts received for pensions, loans, arrears and back deductions, contributory insurance premiums, and Supplemental Annuity, and are submitted to Data Processing in batches and verified with a tabulation prepared by that section. Quarterly totals of these items are also developed and verified prior to forwarding to the Bookkeeping Section for journalizing.

75. DATA ENTRY SECTION—This section supplies magnetic tape containing input data, which have been edited and verified, to the Data Processing Bureau in the Treasury Department. The section is operated by personnel who have matured with the Division from its original

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assignment in mechanizing the work of the major retirement systems. The lack of standardization among the needs of the different benefit programs placed a tremendous burden on the section, but over the years this has been reduced by legislation and internal controls.

The chief accomplishment of this section has been its ability to expand its workload significantly and to master new and complex input formats required by the constantly changing data demands of the several systems.

76. SERVICES PERFORMED—If the EDP operation is to be successful, it must serve the needs of the several employee benefits programs administered by the Division as well as the public employers who participate in these programs and pay a proportionate share of the cost in reimbursement to the State government of such administrative expense. Such service can be considered in two parts:

(a) Audit as it applies both internally within the Division as well as to the employers receiving the reports of the several benefit programs, and

(b) Assistance which the Division is prepared to offer to any employer considering a mechanization of payroll procedures and thereby improving the employer's ability to meet his obligations under such programs.

77. TRADITIONAL AUDIT—Audit or following an audit trail is vital to the accounting, actuarial, bookkeeping, and disbursement needs of the Division as well as of every participating employer. The traditional audit may not always apply in EDP operations although internal control, data research, and the ability to correct errors are still prescribed. For example, EDP systems seldom require the intermediate results and records normally required in manual systems. However, the essential elements are necessary: every transaction can be traced from origin to final posting, every balance can be analyzed into separate transactions, accounting accurately reflects the accumulation of such detail transactions and clearly defines the postings made to ledger balances, and there always is supporting documentation available after a reasonable time has elapsed following the transaction.

78. FOLLOWING AUDIT TRAIL—Currently transactions processed by EDP are initially recorded on source documents common to any manual system. They are then converted into cards or tape to permit processing. Once this conversion takes place, basic input controls are established, and the audit trail vanishes into the machine operation. The machine performs the calculations and develops the final totals. Master magnetic tape files or master random access disk files are updated and adjusted by the equipment, thus replacing the manual posting to ledger accounts. The details are retained on magnetic tapes or disks, and the trail reappears when the balances and totals are printed. Journals,

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ledgers, and vouchers may be unnecessary and it may be difficult to identify specific source documentation. However, the audit trail is available since the machine will perform tasks along programed lines with a regularity that goes beyond the error ratio of any human. The problem is for the auditor, accountant, bookkeeper, or payroll clerk to use new techniques to follow such trails; he can no longer rely on cross-referenced journals and vouchers or on intermediate balances and totals.

79. AUDIT REQUIREMENTS OF EDP SYSTEMS—The audit requirements of any EDP system are:

(a) Master files of data must be available in periodic legible forms;

(b) Likewise, the detail data;

(c) Detail amounts such as pension contributions, arrears and loan payments, arrears and loan balances, Supplemental Annuity and Tax-Sheltered Annuity payments, life insurance premiums, basic health insurance and major medical premiums, etc., should be listed at regular intervals and reconciled to control balances;

(d) Record retention should be scheduled and easy access to stored data should be available; and

(e) The procedure and machine process flow charts and diagrams should be available for reference.

80. EDP AUDIT TRAIL—The similarity of following an audit trail between manual and machine systems can be best illustrated. Cash receipts source documents such as the details of Quarterly Report of Pension Contributions are converted to punched cards. The cards show the accounting action required, the accounts to be posted, the amounts involved, etc. In the machine processing the results are:

(a) The balances, recorded on the master file representing the General Ledger, reflect the debit or credit actions taken;

(b) The balances representing the subsidiary ledger reflect the payments received on behalf of each individual account; and

(c) A transaction listing is produced showing the detail for the period and the end balances for the month in each journal and subsidiary ledger account. The usual cash receipts register of a manual system has been replaced by the machine's programed calculations while the detail listing makes summarization unnecessary. The usual journal voucher is no longer necessary. The trail starts with the detail transaction listing followed by the monthly summary listing and finally, the monthly summary report which will indicate the differences between the general and subsidiary ledger account balances, as shown on the current month's reports and the corresponding balances for the previous month.

81. EDP AUDIT TRAIL, MORE SOPHISTICATED MACHINERY—The trend to greater mechanization and more sophisticated equipment will materially change the auditor's job. The data are rearranged and

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summarized so that their original form is unrecognizable, or there is a lack of detailed printouts and listings proportionate to the volume of transactions. Again, the audit trail can nevertheless be developed following, for example, the use of the membership number as a reference; source documents can be traced to the payroll register, check register, and other normal records without much difficulty. However, if the individual record cannot be distinguished because of block or monthly report groupings or a rearrangement of the data prescribed by management, the auditor must rely on certain positive techniques.

He knows that the equipment will do the same thing in the same way regardless of the number of times the operation is performed. In short, if the machine does a particular operation correctly on one occasion, it will always do it correctly. Conversely, if it does an operation incorrectly once, it will do it incorrectly all the time. Reliability, accuracy, and the work of the internal checking devices are so effective that undetected machine error is possible but fairly remote. This is especially true of solid state transistorized equipment. Frankly, the machine is less prone to such errors than is the auditor checking its operational results.

Finally, the machine is really only as intelligible as the program which directs its work. Consequently, the instructions which the machines follow with invariable reliability constitute the audit trail of the EDP system. If the auditor can follow one transaction of each type through the system, he has effectively traced every identical transaction and can make the appropriate tests to assure accuracy. In other words, the audit trail follows the procedures which apply to the transactions rather than the transactions themselves.

82. EDP AND THE PARTICIPATING EMPLOYER—The participating employer who diligently follows the certifications received from the Division of Pensions, whether they involve an enrollment, transfer, rate, loan, arrearage, insurance, Supplemental Annuity, addition, deletion or change, will have little difficulty in conforming payroll deductions to the requirements of the employee benefit programs. The data which served to prepare the certification will subsequently prepare the report of contributions employing the same stored data and instructional programs. The employer who scrupulously follows the adjustment instructions of the Division can make changes on the report as reflected from his payroll records and thereby avoid overage and shortage adjustment notices. In most cases the notice is unnecessary since it usually involves changes which the employer did not detail or errors committed by ignoring the Division's certifications. Where such errors are discovered, the general retort from an employer with few employees is that he doesn't have sufficient staff, or from an employer with many employees is that the Division's reporting procedure is too rigid. Yet the employer who follows the Division's certifications and instructions will need less staff,

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not more. Moreover, every machine installation requires some element of rigidity if it is to be depended upon for reliability and accuracy.

Following an audit trail through an EDP system requires knowledge of the operation, and the employer who has that knowledge will have little problem in meeting his commitments under the several employee benefit programs. Almost all of the retirement programs now follow a standard procedure with respect to certifications, transmittals, reports, and appropriation billings. If there are differences, they are largely due to legislative differences.

83. EDP AND THE PURPOSE OF THE MANUAL—The differences of statutory language, rules and regulations of the boards and commissions, decisions of the courts, and opinions of the Attorney General serve as the primary reason for this manual. They are all contained herein, available for the information of every manual recipient. The primary purpose of this section is to assure the participating employer, large or small in terms of covered employees, with or without mechanized payroll facilities, that the Division of Pensions has established an EDP system which produces reports which he can readily use and reconcile to his payroll records, which can be audited if the employer knows what to expect based on a required knowledge of the system or systems, and which is designed to meet the needs of thousands of employers and hundreds of thousands of employees.

84. ADVICE AND ASSISTANCE—Beyond the audit as it applies within the Division and to participating employers, the Division of Pensions, through the Office of Data Processing Services, is prepared to render advice or assistance to any employer who is contemplating committing, or who has already committed his accounting and payroll to mechanization. The experience in this area illustrates that the self-interest of the Division of Pensions is well served by such efforts.

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ACCOUNTING

85.1 THE BOOKKEEPING SECTION—This section is under the direction of the Chief Accountant and is responsible for maintaining the general and subsidiary ledgers of the several employee benefit programs.

85.2 GENERAL LEDGER ACCOUNTS, BANK AND INVESTMENT ACCOUNTS—The major bank accounts maintained by the retirement systems are termed either general, payroll or investment accounts. All deposits and disbursements other than for investment purchases are made via the general accounts. Periodic transfers of cash are made to the investment account for purchase transactions.

The following accounts are maintained for the control and recording of investments: Investments (par value), FHA Morgages, Capehart Mortgages, Veterans' Administration Mortgages, Multifamily Mortgages, Real Estate Investments, Cash Management Fund, Common Pension Fund Stocks, Common Pension Fund Bonds, and Common Stocks. These accounts are maintained at par value with the exception of the Common Pension Funds and Common Stocks. Discount and Premium accounts are maintained to compensate for purchases at other than par. Subaccounts are maintained for mortgage installments, construction mortgage advances, etc.

The income from investments is credited to the Income from Investments Account; adjustments are made for accrued interest on purchases, for amortizations of premium, and accrual of discounts.

Gains or losses on the sale of investments are charged or credited to a Special Reserve Account which is maintained at 1 percent of the book value of the investments.

85.3 GENERAL LEDGER ACCOUNTS, MEMBERS' CONTRIBUTIONS—Interest-bearing accounts are maintained for the upkeep of the Annuity Savings Funds of the retirement systems. These funds reflect the contributions of the members of the systems with interest to June 30, 1954, in the Public Employees' Retirement System, and with interest to June 30, 1955, in the Teachers' Pension and Annuity Fund. Interest credited on such contributions since these respective dates is placed in Accumulative Interest Subaccounts. Four percent interest was maintained for those employees who became members prior to July 1, 1946, in the Teachers' Pension and Annuity Fund and July 1, 1949, in the Public Employees' Retirement System; three percent was maintained for all employees who became members after these respective dates through June 30, 1970. Since then, all accounts are on a 4 percent basis.

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85.4 GENERAL LEDGER ACCOUNTS, EMPLOYERS' CONTRIBUTIONS—Accounts are maintained for the crediting of employer contributions, and in the case of the Public Employees' Retirement System these accounts and those of other funds are distinguished between those pertaining to the State and those pertaining to all other participating public employers. These accounts are named the Contingent Reserve Funds of the retirement system.

A special account is maintained for the Public Employees' Retirement System which is credited with proportionate administrative expense payments made by participating employers in order to reimburse the State for its advance payment of expenses attributable to members of these employers.

85.5 GENERAL LEDGER ACCOUNTS, RETIREMENT RESERVES—Accounts are maintained for the reserves transferred from the Annuity Savings Fund and the Contingent Reserve Funds for the purpose of paying retirement benefits. In the Teachers' Pension and Annuity Fund a pension fund has been established for members who enrolled prior to 1919 or who taught prior to 1919 but who came into the Teachers' Fund at a later date. Any payments on the basis of contributions to the former Teachers' Retirement Fund are also made from this account.

85.6 GENERAL LEDGER ACCOUNTS, PENSION ADJUSTMENTS—Under the terms of the Pension Adjustment Act eligible pensioners may receive increased allowances. The funds required for these increased allowances are provided by the State and participating employers who make deposits into a special fund for this purpose. Amounts required each month by the retirement systems are transferred from this special fund and are credited to a "Pension Adjustment Account." The monthly disbursement is charged to this account.

85.7 GENERAL LEDGER ACCOUNTS, INSURANCE FUNDS—As the State Treasurer is the policyholder for the noncontributory insurance programs of the respectice systems, group insurance premium funds have been established by the State for the payment of the premium by the State and the collection from participating employers which will reimburse the State to the extent that the policy covers members of those employers.

As the boards of trustees are the policyholders for the contributory insurance programs, contributory group insurance premium accounts have been established to which the payments made by the members are credited and premium payments made to the carriers are charged.

85.8 GENERAL LEDGER ACCOUNTS, CLEARING ACCOUNT—All member contributions remitted by employers, including the State Centralized Payroll Unit, are entered in this account and are not distributed to the proper Annuity Savings Funds until the quarterly

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wage reports have been audited and a basis for the distribution is determined. Variances allowed by the Accounting Bureau are debited and credited to a special account in order to clear any particular wage report.

85.9 GENERAL LEDGER ACCOUNTS, PENSION PAYROLL—Accounts are maintained to reflect the regular monthly and increased pension payrolls of all systems. These are established as liabilities at the end of each month and are paid on the first of the following month. Group health insurance premiums and taxes withheld are set up and paid in the subsequent month.

86.1 GENERAL LEDGER ACCOUNTS, UNCLAIMED ACCOUNTS—There are two types of unclaimed accounts involving active and retired members. The first involves a transfer of members' contributions plus interest for those who have resigned but who have not claimed their contributions. Subsequent disbursements would be made from this account. Generally, transfers to this account do not take place until 2 years after the last contribution. There are also unclaimed pension accounts including amounts to be claimed by beneficiaries of deceased retirants and beneficiaries involving both regular and increased pensions. Unclaimed accounts and unclaimed pensions are escheated to the State after 5 years in an unclaimed status.

Unclaimed accounts are advertised periodically.

86.2 GENERAL LEDGER ACCOUNTS, MISCELLANEOUS ACCOUNTS—Interest on loans to members is credited to an Unearned Interest Account. Adjustments resulting from the revision or prepayment of loans are cleared through this account, and interest earned is closed into the Income Account at the end of the fiscal year.

In the case of withdrawal, interest may be withheld, and such interest is credited to an Adjusted Interest on Withdrawals Account which is closed into Income at the end of the fiscal year.

Checks on which the payments have been stopped are credited to a Canceled Check Account, and subsequent settlements are charged to it.

The Supplemental Annuity Collective Trust Account is credited with all receipts from members for this program. Whenever the balance exceeds $5,000, transfers are made from this account to the Supplemental Annuity Collective Trust. Any balance remaining at the end of the month is transferred by the tenth of the following month.

Real estate investments are in buildings for the use of State agencies. Invoices submitted by vendors are first approved by the Division of Purchase and Property of the State Treasury Department and then forwarded to the retirement system for payment. These payments are charged to separate Advance Accounts for each project. When the project is completed, the Advance Account is closed out and transferred to the Investment in Real Estate account. Interest on the advance is included in the transfer.

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86.3 THE BOOKKEEPING OPERATION MANUAL—With the exception of the use of EDP equipment for the appropriation invoices, the work of the Bookkeeping Section is done manually.

86.4 BOOKKEEPING, DATA PROCESSING—The detailed records of the Pension Adjustment Fund are maintained in Data Processing. Former employers of all retirants, and their survivors, eligible to receive benefits from the Pension Adjustment Fund, are billed annually, in advance, for the anticipated additional benefits to be paid. The State is billed for the additional benefits paid to former State employees or their survivors, providing such employees were members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, State Police Retirement System, Prison Officers' Pension Fund, Central Pension Fund, Judicial Retirement System, or Police and Firemen's Retirement System.

Local employers of the Public Employees' Retirement System, the Police and Firemen's Retirement System, the Consolidated Police and Firemen's Pension Fund, and the Judicial Retirement System are billed for the additional benefits paid to their former employees and their survivors. A separate account is maintained for each employer, for each system, and for the State. These accounts are credited for the amount received from each employer and are charged with the monthly payments made to the pensioners. Annually, an accounting is made to each employer in each system, and credit for any unexpended amounts is applied against next year's bill, or a refund is made when appropriate.

86.5 BOOKKEEPING, MANUAL—The bookkeepers are concerned with the entering of receipts, disbursements, stop payments, checks, journals, etc., and with the proper control of these items. Such items include the following:

(a) Daily receipts from employers for payroll deductions are controlled by Data Processing which prepares a tabulation of the receipts. This tabulation is checked with the deposit and a copy given to the Bookkeeping Section. At the end of the month Data Processing prepares a register of these receipts, the total of which is proved by the Bookkeeping Section against the daily tabulation.

Receipts for other items deposited are sent by the Receipt Section to the bookkeeper. These are totaled and compared with the amount deposited prior to entry in the Cash Receipts Journal.

Such receipts include miscellaneous payments from members on leave of absence for both pension and contributory insurance purposes, lump sum payments for a loan obligation or a prior service purchase, the redeposit of pension checks, unclaimed pensions, appropriations paid by the State and other participating employers, interest on investments, and other investment transactions, etc.

(b) Checks other than those prepared and tabulated by Data

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Processing are recorded in the manual Cash Disbursements Journal. These disbursements include all investment purchases, transfers between accounts, monthly payments of insurance premiums, transfers of funds to the Supplemental Annuity Collective Trust, etc.

(c) Copies of the daily tabulations of disbursements made by Data Processing, after verification, are sent to the Bookkeeping Section. At the end of the month a complete monthly register of such disbursements is sent to the Bookkeeping Section for posting to the General Ledger.

(d) Normally, each day the Disbursements Section will prepare a work sheet for use in obtaining current bank balance figures indicating all data regarding disbursements. The bookkeepers, in turn, will verify the certified bank deposit slips, complete the work sheet, and prepare the daily statement of bank balances to be distributed to the Cash Control Section of the State Treasury Department, the Division of Investments, and the offices of the secretaries of the respective systems.

86.6 **BOOKKEEPING, SPECIAL HANDLING**—A number of accounts require special handling by the manual bookkeeper.

The first is the Unclaimed Pension Account where a card is prepared showing all data regarding the check, plus the date and reason for the redeposit. A book of these items is maintained for control purposes, and at the end of each month, entries are made on the cards and in the control book to reflect all settlements.

Similar handling involves the unclaimed accounts for inactive members as well as the canceled check accounts. At the close of each fiscal year a list of new additions to unclaimed accounts, still unsettled, is prepared and distributed to the last employer of record.

Special handling is required in the case of investment receipts in that such receipts are collected directly by the bank and deposited to the accounts of the retirement systems. Upon receipt of the credit advice from the bank, entries are required in the Cash Receipts Journal.

Invoices for employer liability for delayed enrollments are prepared by this section and forwarded to the employers. The appropriate control accounts and subsidiary records are maintained for these charges and the resultant receipts.

All bank accounts are reconciled monthly. A list of all outstanding checks is made available giving all pertinent information.

86.7 **GENERAL LEDGER BOOKKEEPING**—The Bookkeeping Section is responsible for maintaining the general ledgers of the several employee benefits programs.

At the end of the month, totals are posted from the registers prepared by Data Processing and the manual Cash Receipts and Disbursement Journal. Subsidiary ledgers must agree with all general ledgers maintained by the bookkeepers. Journals prepared by the admin-

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istrative bureaus, which do not affect the accounting records maintained by Data Processing, are entered in the general ledgers. Journals affecting the accounting records maintained by Data Processing are supplied to the Input/Output Control Section so that at the end of the month, one journal, encompassing all journals from administrative bureaus which would affect the Annuity Savings Fund, is prepared by the I• .t/Output Control Section and given to the Bookkeeping Section for review and entry into the general ledgers.

The Annuity Savings Fund and accumulative interest to be transferred to the Retirement Reserve Fund are determined by the Retirement Bureau.

The additional amount required from the Contingent Reserve Fund to complete the transfer to the Retirement Reserve Fund is computed by Data Processing, which then provides a complete tabulation from which a journal entry for the General Ledger posting is prepared.

86.8 GENERAL LEDGER BOOKKEEPING, CHECKS—As the Bookkeeping Section controls the maintenance of bank balances, all stop payment notices on checks are issued by this section. Replacement checks are issued by the Disbursements Section upon authorization.

86.9 GENERAL LEDGER BOOKKEEPING, MONTHLY STATEMENTS—A statement of receipts and disbursements for the month is prepared. Copies of the trial balance and the statements of receipts and disbursements are supplied to the secretaries of the respective systems in time for the meetings of the boards of trustees.

A statement of current assets is also prepared monthly and forwarded by the Director to the State Treasury Department. A monthly statement of interest income and the General Ledger balance of this account are sent to the Investment Division of the State Treasury Department.

87.1 GENERAL LEDGER BOOKKEEPING, ANNUAL REPORTS—At the end of the fiscal year the Income Account is distributed to the regular interest-bearing accounts, Special Reserve Account, and the Contingent Reserve Funds. The books are then closed, and the annual report is prepared. This report contains:

(a) Statement of Assets and Distribution of Assets;

(b) Statement of Receipts and Disbursements;

(c) Statement of Revenue and Expenditures;

(d) Summary of Transactions of the Contingent Reserve Fund, the Annuity Savings Fund, the Accumulative Interest Fund, the Special Reserve Fund, the Retirement Reserve Fund, the Contributory Group Insurance Premium Fund, and the Pension Fund (TPAF only);

(e) Statement of Investment Holdings;

(f) Analysis of Income;

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(g) Statement of Actuarial Valuation;

(h) Funds on Deposit—Contributory Insurance.

Worksheets, bank reconciliations and schedules of subsidiary accounts, and a statement of settled insurance claims for the annual report are retained for examination by the State Department of Insurance and audit by the State Auditor's Office.

87.2 EMPLOYER APPROPRIATIONS, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—As of March 31 of each year the Bookkeeping Section furnishes financial information of operations for the first 9 months of the fiscal year while actuarial data is supplied by Data Processing to the Actuary for the preparation of the annual appropriations.

Annually, the Actuary furnishes the appropriation amount to be paid by the State, and an invoice is prepared and paid on July 1 of each year. The Actuary also furnishes a tabulated run of appropriations payable by other participating employers. Invoices are prepared by Data Processing, controlled by the Bookkeeping Section, and forwarded to the various employers. The appropriations are recorded in subsidiary accounts, and as payments are received, the monies are credited to control accounts in the General Ledger. Noncontributory group insurance and administrative expense payments are also received and credited to the related funds.

The appropriations cover membership service liability, prior service liability, noncontributory group insurance, administrative expense, and such other liabilities as may be imposed by law. All inquiries from employers regarding their appropriations should be directed to the Chief Accountant of the Division of Pensions. Delinquency notices on unpaid appropriations are prepared by the Bookkeeping Section.

87.3 EMPLOYER APPROPRIATIONS, TEACHERS' PENSION AND ANNUITY FUND—Annually, the Actuary furnishes the normal appropriation amount to be paid by the State and the prior service liabilities for veteran members to be paid by the State and employing school districts. This latter liability was scheduled for amortization over a 40-year period. The appropriation amounts per district are certified to the Commissioner of Education who pays the total amount due to the fund and charges each district for its share against its State aid appropriation.

87.4 STATE AGENCY FOR SOCIAL SECURITY—The bookkeeping for the Social Security Agency concerns mainly the receipt of social security taxes from the State and the covered local employer groups throughout the State and the disbursement of these taxes to the Federal Government. Costs of administration are refunded to the State from investment earnings.

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87.5 HEALTH BENEFITS FUND—The bookkeeping for the Health Benefits Fund consists primarily of the recording of premiums received from the State and local employers for the basic and major medical benefits of covered members, both active and retired. The following accounts are maintained: Cash Account, Investment Accounts, State, Local, and Health Maintenance Organization Clearing Accounts, Advance Premiums Received, Premiums Payable—Hospitalization, Premiums Payable—Health Maintenance Organizations, and Premiums Payable—Major Medical. The Advance Premiums Received Account and the Premiums Payable Account are classified as to dependent and employers' liability. A current and accumulative monthly Balance Sheet, Cash Receipts and Disbursements Statement as well as a Premiums Received and a Premiums Paid Statement are prepared each month. Costs of administration are refunded to the State from investment earnings.

87.6 ALTERNATE BENEFITS PROGRAMS—The bookkeeping for the Alternate Benefits Programs concerns mainly receipts and disbursements of funds received for participating employers. The participating employers are Rutgers, the State University, the New Jersey College of Medicine and Dentistry, the New Jersey Institute of Technology, the Department of Higher Education, and the State and county colleges. Disbursements are primarily to the employers and the carriers for the annuity and insurance benefits.

Accounts are maintained for cash, contributions and insurance premiums paid and payable to participating employers, contributions paid and payable to carriers, appropriations received and receivable from the State, employee contributions, escrow accounts payable—employer and employee funds, investments, premium and discount, and interest income from investments.

87.7 GENERAL LEDGER BOOKKEEPING, PENSION ADJUSTMENT FUND—In addition to the detailed data processing records of employers' accounts, a complete set of generalbooks is maintained for this fund. Cash receipts, cash disbursements, and general journals are posted to a general ledger maintained for this program. A separate bank account is also maintained.

Receipts consist of amounts received from local employers and the State to provide the funds for the additional benefits payable to pensioners and refunds due to the nonpayment of benefits as a result of the death of the pensioners.

Checks are issued monthly to the several retirement systems for the total amounts required for the increased allowances payable by those systems. Overpayments received from employers are disbursed from this account. Costs of administration are refunded to the State from investment earnings.

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Monthly statements of Receipts and Disbursements, a Balance Sheet, a Statement of Physical Assets, and an Analysis of Investment Income are prepared.

87.8 **GENERAL LEDGER BOOKKEEPING, SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**—In addition to the detailed individual accounts established for participants in the program by Data Processing, a complete set of general books is maintained for the trust. Cash receipts, cash disbursements, general journals, a general ledger, a withdrawal register, and a retirement register are maintained. Detailed investment records for each security and a separate bank account are also maintained.

Control accounts of participants' contributions and annuity units are provided in the General Ledger.

Receipts for the tax-sheltered program are deposited directly in the trust's bank account by the Division's Receipts Section which forwards an advice and duplicate deposit slip to the trust. Receipts from participants in the regular program are sent by employers to the retirement system of which the participant is a member. The retirement system, in turn, forwards these receipts to the trust in amounts of not less than $5,000, except at the end of the month when any remaining balance is sent. Receipts from investments and investment income, dividends, and interest are sent directly to the trust.

Disbursements are made directly by the trust and consist generally of payments to participants on withdrawal or retirement and for investments.

Monthly statements consisting of a Balance Sheet, Statement of Cash Receipts and Disbursements, Statement of Profit and Loss, a Comparative Statement of Investments at Market and Book Value, Statement of Investment Transactions, and a Schedule of Comparative Unit Values are prepared and submitted to the council.

87.9 **RECORDS, CENTRAL PENSION FUND**—No formal general accounts are maintained for this fund. Transactions of the fund are handled via an appropriation account maintained by the Division of Budget and Accounting. Retirement allowances paid are charged in the aggregate to the appropriate accounts established in the Bureau of Accounting.

88. **JUDICIAL RETIREMENT SYSTEM, INTRODUCTION**—The Judicial Retirement System of New Jersey became effective June 1, 1973, under terms of Chapter 140 of the Laws of 1973. This act repealed the statutes which had provided pensions to members of the judiciary in the several courts and their beneficiaries since the establishment of the new constitution in 1948. The acts governing the former systems could be found in Chapter 3 of Title 2A and Chapters 6 and 9 of Title 43 of

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Statutes Annotated. They were summarized in section 97 of this manual, 1970-72 editions.

Most of the benefit formulas provided by such repealed legislation were incorporated in the provisions of the Judicial Retirement System and such were extended to all members of the State judiciary and not only to those in specific courts. Recognition was given not only to judicial service, but also to service rendered by those who had substantial public service other than as a judge. The sizeable financial liabilities of pensions awarded in the past and those payable to present members of the State judiciary were assumed under the new system to be met by accrued liability payments to be made by the State and employing counties over a period of 40 years.

88.1 **ADMINISTRATION**—The Judicial Retirement System is represented by the State House Commission which acts as the board of trustees for the purpose of administering the system. By law the Secretary of the system is the Director of the Division of Pensions.

The work of the system is functionalized among the administrative bureaus of the Division. The system is served by Data Processing, and all pension payrolls are prepared by the Disbursement Section of the Accounting Bureau. Retirement calculations and disability claims are processed by the Retirement Bureau. Life insurance claims are processed by the Claims Section of the Enrollment and Claims Bureau. Reports of changes in the status of the membership are received monthly from the Administrative Office of the Courts for those judges paid by the State and from the offices of the county treasurers for those judges who are paid by counties.

88.2 **ENROLLMENT**—Chapter 140 required all members of the State judiciary to be enrolled in the new system, prescribing the termination of the membership of such judges in any other system established under State law. Membership is a condition of employment.

Enrollment in the Judicial Retirement System is restricted to members of the State judiciary, including the Chief Justice and Associate Justices of the Supreme Court, judges of the superior, county, county district, and Juvenile and Domestic Relations Courts. It includes the office of Standing Master on the basis of a judge of a county court.

88.3 **THE ENROLLMENT APPLICATION**—Part 1 of the enrollment application is completed by the judge. The applicant is requested to supply his name, address, date of birth, and marital status and to list his dependents. The enrolling member is directed to name primary and contingent beneficiaries to receive all of the death benefits which would not be specifically directed to a particular survivor, such as a widow, widower, child, or parent.

Part 2 of the application is completed by the certifying officer who is the Administrative Director of the Courts in the case of judges paid by

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the State, or the county treasurer in the case of judges paid by counties. The information to be certified pertains to the employee's position and salary.

Upon receipt of the enrollment application, it is processed by the Division of Pensions preparing the necessary actuarial and accounting records and the assignment of the membership number for the system.

88.4 **CERTIFICATIONS**—All changes involving certifications to the employing agency are made by the Division of Pensions to the Administrative Office of the Courts or to the county treasurer's office. Such certifications involve the enrollment, termination, retirement, and insurance status of the member.

88.5 **STATEMENT OF MEMBERSHIP**—Annually a statement of membership is furnished to each judge indicating his years and months of credit established in the system and his insurance status.

88.6 **BOOKKEEPING AND INVESTMENT**—The Judicial Retirement System maintains its depository and custodial records with a selected bank within the State, banking and investing by mail service.

As in all systems the daily bank balance is furnished with a statement of cash available for investment. Such statement is prepared by the secretary by anticipating receipts (such as interest payments and maturities) and disbursements (such as pension payroll and death claims) as well as a reasonable working balance necessary to meet the current needs of the system.

The Division of Investment is thereby advised of any sums available for investment, and that Division arranges for such investments.

Bills itemizing the investment purchase are forwarded to the secretary who prepares a check and forwards the check and the covering voucher to the Cash Control Section of the State. This section delivers the check to the Division of Investment which arranges for the delivery of the security to the custodian bank. The bank then advises the system that the security has been received and that the system's account has been credited.

A complete set of double entry records is maintained in accordance with accepted accounting practice. The accounts and procedures are compatible with those of the other systems administered by the Division of Pensions.

Each month the bookkeeper of the system prepares statements indicating the position of the various funds in the form of a statement of Income and Disbursements and a Balance Sheet.

88.7 **ACTUARIAL**—Data is annually supplied to the consulting Actuary. Each year the Actuary's report results in an annual valuation of the assets and liabilities of the fund and reflects the amortization of the unfunded liabilities of the system over a 40-year period. Periodic studies

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by the Actuary review the tables used by the system in its calculations with recommendations for adjustments in the tables where such is deemed necessary.

88.8 **CLAIMS**—The material pertaining to claims deals with death benefits.

88.9 **DEATH BENEFITS, DEFINITIONS**—"Child" means a deceased member's or retirant's unmarried child who is either (a) under the age of 18, (b) of any age who, at the time of the member's or retirant's death, is disabled because of mental retardation or physical incapacity and is unable to do any substantial, gainful work because of the impairment, and whose impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board, or (c) under the age of 21 and is attending school full time.

"Final salary" means the annual salary in effect at the time of retirement or death.

"Parent" means the parent of a member who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a parent will be considered terminated by marriage of the parent subsequent to the death of the member.

"Widow" means the woman to whom a member or a retirant was married at least 4 years before the date of his death and to whom he continued to be married until the date of his death. The eligibility of such a widow to receive a survivor pension benefit will be considered terminated by the marriage of the widow subsequent to the member's or the retirant's death. In the event of accidental death the 4-year qualification shall be waived. When used in this system, the term "widow" shall mean and include "widower" as may be necessary and appropriate to the particular situation.

88.10 **DEATH BEFORE RETIREMENT**—The surviving widow or widower of a member receives a pension of 25 percent of the member's final salary plus 10 percent of final salary for one child, or 15 percent for 2 or more children. If there is no widow or widower, or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 30 percent of final salary to 3 or more children, 20 percent to 2 children, and 15 percent to 1 child. If there is no widow, widower, or child, 1 dependent parent of the member will receive 20 percent of final salary; if 2 such parents survive, 30 percent will be paid.

88.11 **ACCIDENTAL DEATH**—The benefits payable are those indicated above in the event of death before retirement, but only as the

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eligibility of widow or widower may be modified by such accidental death.

88.12 DEATH AFTER RETIREMENT—The surviving widow or widower of a retired member will be paid an annual pension of 25 percent of the member's final salary, plus 10 percent of final salary for 1 child, or 15 percent for 2 or more such children.

If there is no widow or widower, or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 30 percent of final salary to 3 or more children, 20 percent to 2 children, and 15 percent to 1 child.

88.13 GROUP LIFE INSURANCE—If the death of a member takes place while he is in service, his named beneficiary or his estate receives 1 1/2 times the member's final salary.

A member who retires is protected by a death benefit of one fourth of his final salary. This would be paid to the beneficiary designated by the retired member.

88.14 GROUP LIFE INSURANCE, CONDITIONS AND PAYMENTS—A member will be covered by the noncontributory group life insurance while on an official leave of absence without pay in accordance with the following: (a) a maximum period of 2 years if the leave is due to the member's personal illness; (b) a maximum period of 1 year if the leave is for the member's maternity, and (c) a maximum of 93 days if the leave is for any other reason. The insurance benefits are in effect where a member applies for disability beneftis within 30 days following termination of employment and dies within 30 days after the date of retirement or the date of commission approval, whichever is later.

The death benefits under the noncontributory group life insurance plan may be designated to be paid in:

(a) Lump sum—where provision is made for lump sum payment of benefits, the beneficiary may elect to receive them in installments or as a life annuity instead. The one-fourth benefit payable in the event of death after retirement must be paid as a lump sum.

(b) Installments for a certain period of time—should the beneficiary die before all the payments have been made, the remaining value will be paid in a lump sum to the beneficiary's estate.

(c) Life annuity—the value of the annuity will be determined by the benefit amount and the life expectancy of the beneficiary; payment will cease at the death of the beneficiary.

88.15 BENEFICIARY DESIGNATION—A member may file and alter from time to time the designation of beneficiary or beneficiaries he wishes to receive the benefits of the program. A member may name any person, institution, trust, or his estate as primary or contingent beneficiary. He may also designate and change from time to time the method

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he wishes to apply to such payment. All designations and elections must be on forms provided by the system and filed with it.

88.16 **RETIREMENT BENEFITS**—Applications for service retirement, whether for age and service, early retirement, or for deferred retirement, are presented to the commission for approval. After approval a number is assigned and the appropriate benefit is calculated. The information relating to the benefit is given to the Disbursement Section where the item is entered on the pension payroll. In the benefits discussed below a distinction is made between the member who rendered judicial service and one who met minimum requirements for service as a judge with substantial other public service; this accounts for some differences in the formulas employed for retirement for age and service.

88.17 **RETIREMENT FOR AGE AND SERVICE**—Members are required to retire at age 70. A member may retire at age 65 after 15 years as a judge, or at age 60 after 20 years as a judge. In these events, or if a member has 10 years as a judge and has attained age 70, the amount of the pension will be 75 percent of the member's final salary.

A member who attains age 65 and who has a minimum of 5 years service as a judge and 15 years in the aggregage of public service is eligible for a pension equal to 50 percent of final salary.

A member who attains age 60 and who has a minumum of 5 years service as a judge and 20 years in the aggregate of public service is eligible for a pension equal to 50 percent of final salary.

A member may retire at age 60 after serving 5 years successively as a judge and 15 years aggregate public service. The amount of the pension will be equal to 2 percent of the member's final salary for each year of service up to 25 years, plus 1 percent for each year of creditable service in excess of 25 years.

A member may retire at age 60, and the amount of the pension will be equal to 2 percent of the member's final salary for each of judicial service up to 25 years, plus 1 percent for each year of judicial service in excess of 25 years.

88.18 **EARLY AND DEFERRED RETIREMENT**—Early retirement is permitted for members who have served 5 years successively as a judge and who have an aggregate of 25 years of public service and who leave the judiciary before attaining the normal retirement age of 60. The amount of the pension will be equal to 2 percent of the member's final salary for each year of service up to 25 years, plus 1 percent for each year of creditable service in excess of 25, but reduced in accordance with a table of actuarial equivalents reflecting all months that the member lacks of being age 60.

Deferred retirement is available to any member who has served 5 years successively as a judge and 15 years of aggregate public service and who has not attained the normal retirement age of 60 at the time he

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leaves the judiciary. Benefits will be deferred until the member reaches age 60; the retirement forumula indicated above for early treatment will apply.

88.19 **DISABILITY RETIREMENT**—The member who becomes physically or otherwise incapacitated for full and efficient service in his judicial capacity and is so certified by the Supreme Court to the Governor may be retired on a disability pension. The amount of the pension is equal to 75 percent of his final salary.

88.20 **APPLICATION FOR DISABILITY RETIREMENT**—The Governor will appoint three physicians to examine the member and to advise the Governor as to any physical or other disability. If the physicians' report confirms the existence of the disability, and if the Governor approves the report, the member shall be retired not less than 1 month following the date of filing an application.

88.21 **BENEFITS OF OTHER SYSTEMS**—At the time the judge is required to enroll in the Judicial Retirement System, he may be a member of another retirement system established under another law of the State. In such event he may receive a refund of his contributions to such retirement system. However, if he is eligible for benefits as of the date he becomes judge, he may elect to receive an annuity based on his own contributions while continuing to serve as such judge. If any such judge shall subsequently elect to receive the benefits under the Judicial Retirement System, all rights to retirement and death benefits under any other law shall be terminated, except that if he has already been receiving benefits from such other retirement system, he may be entitled to receive a return of his contributions to such other system reduced by the value of any benefits he had already received. He may also waive the benefits of the Judicial Retirement System and continue to receive his retirement allowance or pension.

If the judge dies in service before he could elect to receive the benefits provided under the Judicial Retirement System after having received benefits from a retirement system established under another law, his eligible beneficiary may receive the return of his contributions to such other system, reduced by the value of any benefits the judge had already received.

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PENSION LEGISLATION

90. PENSION LEGISLATION, INTRODUCTION—There are hundreds of statutes providing pensions for public employees. Most are special acts on behalf of one or more individuals in communities where State-wide programs had not been adopted in time to consider the needs of prospective pensioners. Such legislation is generally unnecessary today as most new employees are required to enroll in State plans. Every year special pension bills are enacted to remove age or other bars which prevent employees from receiving the benefits of State-wide systems. However, most of the legislation which is considered deals with the major State-administered retirement programs.

The discussion of pension legislation is divided as follows:

a. There is a description of general legislation applicable to all public employee systems beginning with 90.1. This includes the Transfer Act as well as the Pensioners in Public Employment Act.

b. Beginning with 92.1 there is a detailed chart describing the major provisions of State contributory systems, including the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, Consolidated Police and Firemen's Pension Fund, Police and Firemen's Retirement System, the Prison Officers' Pension Fund, and the State Police Retirement System.

c. This is followed by a discussion of the Pension Adjustment Act applicable to State systems beginning with 92.4.

d. Beginning with 93.1 there is a description of county contributory systems, including Essex, Hudson and Passaic County Employees' Pension Funds, the Board of Education Employees' Pension Fund of Essex County and the Union County Park Commission Police Pension Fund.

e. Discussion of the Pension Adjustment Acts pertaining to some of these county programs begins at 93.41.

f. A description of other county contributory systems follows with 93.5, including a chart indicating the location of these programs.

g. A discussion of municipal contributory systems begins with 93.8, citing the major provisions of the Newark and Jersey City Employees' Retirement Systems and the Atlantic City Life Guard Pension Fund.

h. The possible merger of contributory funds with the Public Employees' Retirement System is discussed in 94.

i. Beginning with 95.1 there is a description of noncontributory pension acts including the General Noncontributory Act, the Veterans' Retirement Act, etc. A description of the Judicial Retirement System is given in 88.

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90.1 AGE AS A BAR TO ELIGIBILITY FOR PENSION FUND—N.J.S.A. 43:1-1 provides that any person age 40 or over who accepts public employment shall not be eligible to join any pension fund maintained by the State or any county or municipality with the following exceptions: the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, the Municipal Employees' Pension Fund of the City of Newark and the county funds maintained for Essex and Hudson County employees.

The statute includes a special provision for persons who entered the armed forces of the United States after July 1, 1940, but during time of war. In determining whether such person is within the maximum age limits prescribed by a pension fund, the period of such military service should be deducted from the person's actual age. If such reduced age is below the maximum age specified by the statute at the time of the person's entry into active military service, such person is deemed to be below the maximum age limit prescribed.

90.2 PENSION PAYMENTS DURING CONFINEMENT IN PENAL INSTITUTIONS—N.J.S.A. 43:1-2 prohibits the payment of a pension by the State or any municipality or school district to any person for the period during which he is confined in a penal institution as a result of a conviction of a crime involving moral turpitude. Moreover, such a person will lose all rights to such a pension which he might have received had he not been so confined. However, this does not prevent the payment of the pension for the sole benefit of parents, wives or minor children if the pension fund determines that the pension is necessary for their maintenance.

90.3 TRANSFERS BETWEEN RETIREMENT SYSTEMS—N.J.S.A. 43:2-1 provides that any member of a contributory pension fund operated wholly or partly by the State may transfer his membership to another retirement system if there is a change in his position which would prohibit his continued membership in the first pension fund.

The member must notify the administrative head of the pension fund from which he is transferring of his intention to enter the other retirement system. Upon entry into the other system he shall receive credit for the same periods of service as had been credited in the previous fund. He shall be required, however, to deposit in the second retirement system the total amount of his contributions withdrawn from the first fund in order to have the service credits transferred.

90.4 TRANSFERS FOR MEMBERS OF THE TEACHERS' PENSION AND ANNUITY FUND—N.J.S.A. 43:2-4 provides that any employee of any school district who was or is a member of the Teachers' Pension and Annuity Fund, and who takes a position in the service of any municipality or county which has not adopted the Public Employees' Retirement System, shall be entitled to membership in the pension fund of the said municipality or county. However, the employee must notify

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the Secretary of the Teachers' Pension and Annuity Fund of his intention to transfer his membership so that his service credit and his monies can be transferred to the second retirement system.

90.5 PENSIONERS IN PUBLIC EMPLOYMENT—In most States legislation originally adopted in the period of the Great Depression imposes limitations upon public employees who return to employment following retirement. They are permitted to receive their pension or retirement allowance as long as their earnings are within the limitations of the particular statute; this was also true in New Jersey until 1968 when such legislation was repealed. There is no longer any such limitation except those prescribed for disability pensioners within the acts governing the particular system from which they receive their pension.

N.J.S.A. 43:3C-1 provides that if a former member of any contributory or noncontributory pension fund or retirement system established under any law of this or any other State is granted a pension or a retirement allowance for any cause other than vesting or deferred retirement, and if such individual becomes employed again in a position which makes him eligible to be a member of another pension fund or system established under any law of this State, such person shall not be enrolled in such other system.

There is a unique exception pertaining to elected officials because no one would want to bar the public from electing anyone they chose, or in turn bar any citizen from running for an elective position wherein he may be penalized if he were to be elected. Thus, if a pensioner becomes employed again in an elective public office, other than the same or comparable position to that from which he was retired, he likewise shall not be enrolled if he is eligible to receive a pension and he may continue to receive such allowance.

In those systems which are established for specific groups of public employees, such as teachers, State and municipal policemen and firemen, members of the State Judiciary, etc., the benefit schedule is designed to provide an adequate pension after a career in such specific capacities. If a teacher has rendered such career and eventually retires and then returns following retirement to perform in another capacity in the public service, he would not be eligible for membership in the staff system established for teachers. Under terms of this legislation he also would not be eligible for membership in a retirement system established for all other public employees, such as the Public Employees' Retirement System.

The rationale is that once a public employee has retired from his life's work and is receiving an adequate pension based on that career, he should not be required to contribute to another retirement program nor should his employer become liable for extraordinary costs engendered as a result of such membership. This is not to bar the member of the staff retirement system such as a policeman, who is a member of the Police

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and Firemen's Retirement System, from transferring to the Public Employees' Retirement System if he were to change his work from a policeman to some other endeavor in the public service. This does not prevent a fireman from electing deferred retirement and then enrolling in the Public Employees' Retirement System on the basis of another position in the public service. It also does not mean that if a teacher elected to retire prematurely and then returned to teaching, that he would be barred from reenrolling in the Teachers' Pension and Annuity Fund. It does not mean that a policeman who has been disabled and has been awarded a disability pension cannot return to police duty as a member of the Police and Firemen's Retirement System if he is found to be fit for duty at some time subsequent to the award of his disability pension. The provisions for the return of disability pensioners to active service and membership in the retirement system from whence they receive their pension is stipulated in the several statutes governing the respective retirement programs. There are also provisions in the statutes contemplating the return of pensioners who have elected deferred retirement or who have retired for purposes other than disability.

This legislation merely bars the enrollment of pensioners in another New Jersey retirement system, except for those who have elected deferred retirement in those systems which permit such retirement.

90.6 EMPLOYMENT OF PENSIONERS AS "SELF-EMPLOYED CONSULTANTS"—A number of pensioners have returned to the public service engaged as "self-employed consultants" rather than as "employees." Some have been hired under terms of a contractual agreement and have submitted copies of these contracts to the Division of Pensions so that it could be determined that they were indeed "self-employed." In the past the pensioner was concerned that he would not violate the provisions of the Pensioners in Public Employment Act which pertained to "employees," nor did he want to return to the public service on a basis which might question the validity of his retirement. These contracts have been reviewed and the Division has normally relied on the findings of the Federal Social Security Administration in determining whether an employer-employee relationship exists. In these cases the public agency and the contracting consultant were requested to complete questionnaires, and very often it was determined on the basis of such information that they were "employees." In many cases the employee was performing, on a contractual basis, duties similar to those performed prior to retirement.

With the repeal of the Pensioners in Public Employment Act some of the rationale for seeking the status of a self-employed consultant is no longer present, and if the individual is performing as an employee in the same capacity as prior to retirement, then it is probably to his advantage to reenroll in the retirement system. He will resume earning credit for the service rendered since his return to the public service and the amount of

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his original retirement allowance will not be diminished by returning at a lesser rate of compensation. In most cases the original allowance is cancelled and he becomes eligible for all of the benefits attributable to an active employee. Upon subsequent retirement his original allowance is reinstated and an additional allowance is provided on the basis of his second membership in the same system. In some cases all of his benefits may be recalculated, but in those systems provision has been made to apply the formula on the basis of the highest average compensation so that the benefits should never be less than those previously awarded.

91.1 PRESUMED ACCIDENTAL DEATH IN PERFORMANCE OF DUTIES—N.J.S.A. 43:3A-1 provides that any person in the employment of the State who is a member of a retirement system to which the State contributes, who has been absent from his last known residence for a period not less than 2 months under circumstances indicating that he died by reason of an accident which occurred in the actual performance of his duties so that said duty was the natural and proximate cause of his presumed death, and as such death would entitle his dependents to a pension if he were actually dead, and if the head of his department is satisfied that he may reasonably be presumed to have died, such department head will issue a certificate of the presumed death.

The board of trustees of any retirement system shall thereupon make payment of any pension which would have been payable to the dependents of the deceased. The act discharges the board from any liability for these payments if the employee is proved to have been alive at the time of the payment.

91.2 WAIVER OF PORTION OF PENSION—N.J.S.A. 43:4-7 provides that any pensioner may, upon written request, waive payment of a portion of any pension to which he is entitled. The portion of the pension which has been waived cannot subsequently be paid to the pensioner. However, the waiver may be revoked at any time with respect to payments accruing after the revocation.

91.3 TIME OFF WITH PAY TO ATTEND MEETINGS—N.J.S.A. 43:4A-1 provides that any person who is an elected member of the Board of Trustees or Commissions of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, Police and Firemen's Retirement System, Consolidated Police and Firemen's Pension Fund and the Prison Officers' Pension Fund, is entitled to time off from his public duties, without loss of pay, during the periods of his attendance at regular or special meetings of the board of trustees or its appointed committees, and such time off shall include reasonable travel time.

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PENSION LEGISLATION

STATE CONTRIBUTORY SYSTEMS

92.1 INTRODUCTION—About 360,000 public employees in New Jersey are members of contributory pension funds. Of these, 342,000 belong to State-administered systems, including the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, the Police and Firemen's Retirement System, the Prison Officers' Pension Fund, the Consolidated Police and Firemen's Pension Fund, the State Police Retirement System, and the Judicial Retirement System.

Of these seven State-administered systems, two are closed to new memberships: the Consolidated Police and Firemen's Pension Fund and the Prison Officers' Pension Fund.

Below is a chart comparing the major provisions of the contributory systems. The benefits shown are available to new employees entering the systems. Unless otherwise indicated, "final average salary" means the average salary for the last 3 years. (See 92.3.)

92.2 STATISTICAL DATA, STATE CONTRIBUTORY SYSTEMS

System	Active Members	Pensioners
Teachers Pension and Annuity Fund	113,019	23,959
Public Employees' Retirement System	200,397	32,025
Police and Firemen's Retirement System	26,621	3,659
Prison Officers' Pension Fund	135	348
Consolidated Police and Firemen's Pension Fund	116	6,956
State Police Retirement System	2,018	585
Judicial Retirement System	291	170

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92.3 BENEFIT CHART (a)

Systems	Statutory Authority	Service Retirement Age	Mandatory Retirement Age
Public Employees' Retirement System (nonlaw-enforcement officers)	N.J.S.A. 43:15A	60	70
Public Employees' Retirement System (law enforcement officers)	N.J.S.A. 43:15A	55	65
Teachers' Pension and Annuity Fund	N.J.S.A. 18A:66	60	71
Consolidated Police and Firemen's Pension Fund	N.J.S.A. 43:16	active members—51 employee members—60	active members—65 after 25 years employee members—70 after 25 years
Police and Firemen's Retirement System	N.J.S.A. 43:16A	55	65
Prison Officers' Pension Fund	N.J.S.A. 43:7	55	None
State Police Retirement System	N.J.S.A. 53:5A	enrolled before 7/65—50 enrolled after 6/30/65—55	55 after 25 years

SERVICE RETIREMENT ALLOWANCE

92.3 BENEFIT CHART (b)

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Annual allowance of 1/60 (Class B) or 1/70 (Class A) X final average salary X years of service.

Deferred retirement permitted after 15 years, payable at age 60.

Early retirement permitted after 25 years, but allowance decreased 1/4 percent for each month under age 55.

Special veteran's retirement on annual allowance equal to one-half of final salary (last year) after 20 years at age 60 (age 62 if membership began after January 2, 1955, or if not continuous).

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(LAW ENFORCEMENT OFFICERS)

After 20 years service as law enforcement officer, annual allowance of 2% X final average salary X years of service up to 25 as law enforcement officer, plus 1 2/3% X such salary X years of service as non-law enforcement officer, plus 1% X such salary X years of service over 25 as law enforcement officer.

Deferred retirement permitted after 15 years, payable at age 60.

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92.3 BENEFIT CHART (b) continued

Special veteran's retirement on annual allowance equal to one-half of final salary (last year) after 20 years at age 60 (age 62 if membership began after January 2, 1955, or if not continuous).

TEACHERS' PENSION AND ANNUITY FUND

Annual allowance of 1/60 (Class B) or 1/70 (Class A) X final average salary X years of service.

Deferred retirement permitted after 15 years, payable at age 60.

Early retirement permitted after 25 years, but allowance decreased 1/4 percent for each month under age 55.

Special veteran's retirement on annual allowance equal to one-half of final salary (last year) after 20 years at age 60 (age 62 if membership began after January 2, 1955, or if not continuous).

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

After 25 years service, annual pension of 2% X final average salary X years of service up to 30 plus 1% X such salary X years of service over 30, prior to age 65.

POLICE AND FIREMEN'S RETIREMENT SYSTEM

Annual allowance of 2% X final average salary X years of service up to 30 plus 1% X such salary X years of service over 30 or, if greater, annual allowance of 1/60 X final average salary X years of service.

Deferred retirement permitted after 15 years, payable at age 55.

Special retirement permitted after 25 years, annual allowance of 60% X final average salary plus 1% X such salary X years of service over 25, but not over 30 (except those with more than 30 years on July 1, 1979).

PRISON OFFICERS' PENSION FUND

After 20 years service, annual pension of one-half of salary at time of retirement or, if greater, 2% X average final compensation X years of service up to 30 plus 1% X such salary X years of service over 30 prior to age 65. Deferred retirement permitted after 15 years, payable at age 55.

STATE POLICE RETIREMENT SYSTEM

For those enrolled before July 1, 1965, after 20 years service as a State policeman, annual allowance of one-half of final average compensation plus 1% of final compensation for each year of service over 25.

For those enrolled after June 20, 1965, annual allowance of 2% X final average compensation X years of service up to 25 plus 1% X final compensation X years of service over 25.

Deferred retirement permitted after 15 years, payable at age 55.

Special retirement permitted after 25 years, annual allowance of 60% X final average compensation plus 1% X such salary over 25, but not over 35.

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92.3 BENEFIT CHART (c)

System	Ordinary Disability	Accidental Disability
Public Employees' Retirement System	Under age 60, after 10 years credit for N.J. service, annual allowance of 1 1/2% X final average salary X years of service (minimum of 40% X final average salary: maximum of 9/10 X service retirement allowance).	Under age 65, annual pension of two-thirds salary at time of accident.
Public Employees' Retirement System (law enforcement officers)	Under age 60, after 5 years credit for N.J. service, annual allowance of 1 1/2% X final average salary X years of service (minimum of 40% X final average salary; maximum of 9/10 X service retirement allowance).	Under age 65, annual pension of two-thirds salary at time of accident.
Teachers' Pension and Annuity Fund	Under age 60, after 10 years credit for N.J. service, annual allowance of 1 1/2% X final average salary X years of service (minimum of 40% X final average salary; maximum of 9/10 X service retirement allowance).	Under age 65, annual pension of two-thirds salary at time of accident.
Consolidated Police and Firemen's Pension Fund	Annual pension of one-half of final average salary.	Annual pension of two-thirds of final average salary.
Police and Firemen's Retirement System	After 5 years membership, annual allowance of 1 1/2% X final average salary X years of service (minimum of 40% X final average salary).	Annual pension of two-thirds salary at time of accident.
Prison Officers' Pension Fund	Annual pension of one-half of average final compensation.	Annual pension of two-thirds of average final compensation.
State Police Retirement System	After 4 years service as a State Policeman, annual allowance of 1 1/2% X last year's salary and maintenance X years of service (minimum of 40% X final compensation).	Annual pension of two-thirds last year's salary and maintenance.

92.3 BENEFIT CHART (d)

System	Nonservice-Connected Death Before Retirement	Service-Connected Death Before Retirement
Public Employees' Retirement System	1 1/2 (3/16 if age 70) X last year's salary plus return of contributions; plus contributory insurance, if purchased.	Annual pension of one-half of last year's salary to dependent widow, widower, or 3 children under 18; for fewer children or dependent parents, a lesser annual pension (if no dependent widow, widower, parents, or children under 17, and as a minimum benefit, a refund of member's contributions); plus non-contributory insurance of 1 1/2 times last year's salary (3/16 salary for members age 70); plus contributory insurance, if purchased.

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92.3 BENEFIT CHART (d) continued

System	Nonservice-Connected Death Before Retirement	Service-Connected Death Before Retirement
Public Employees' Retirement System (law enforcement officers)	1 1/2 (3/16 if age 70) X last year's salary plus return of contributions; plus contributory insurance, if purchased.	Annual pension of one-half of last year's salary to dependent widow, widower, or 3 children under 18; for fewer children or dependent parents, a lesser annual pension (if no dependent widow, widower, parents, or children under 18, and as a minimum benefit, a refund of member's contributions); plus non-contributory insurance of 1 1/2 times last year's salary (3/16 salary for members age 70); plus contributory insurance, if purchased.
Teachers' Pension and Annuity Fund	1 1/2 (3/16 if age 70) X last year's salary plus return of contributions; plus contributory insurance, if purchased.	Annual pension of one-half of last year's salary to dependent widow, widower, or 3 children under 18; for fewer children or dependent parents, a lesser annual pension (if no dependent widow, widower, parents, or children under 18, and as a minimum benefit, a refund of member's contributions); plus non-contributory insurance of 1 1/2 times last year's salary (3/16 salary for members age 70); plus contributory insurance, if purchased.
Consolidated Police and Firemen's Pension Fund	Annual pension of one-half of final average salary to widow or dependent widower and 2 children under 18; for fewer children or dependent parents a lesser annual pension (minimum of $2,500 to widow).	Annual pension of one-half of final average salary to widow or dependent widower or 3 children under 18; for fewer children or dependent parents, a lesser annual pension (minimum of $2,500 to widow).
Police and Firemen's Retirement System	3 1/2 X last year's salary; plus return of contributions.	Annual pension of one-half of last year's salary to widow or dependent widower or three children; for fewer children or dependent parents, a lesser annual pension; plus 3 1/2 X last year's salary.
Prison Officers' Pension Fund	Annual pension of one-half of final average salary to widow or dependent widower and 2 children under 18 or disabled; for fewer children or dependent parents, a lesser annual pension (minimum of $1,600 to widow or dependent widower).	Annual pension of one-half of final average salary to widow or dependent widower and 2 children under 18 or disabled; for fewer children or dependent parents, a lesser annual pension (minimum of $1,600 to widow or dependent widower).
State Police Retirement System	Annual pension of one-half last year's salary and maintenance to dependent widow or 3 children; for fewer children or dependent parents, a lesser annual pension; plus 3 1/2 X last year's salary.	Annual pension of one-half last year's salary and maintenance to dependent widow or 3 children; for fewer children or dependent parents a lesser annual pension; plus 3 1/2 X last year's salary.

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92.3 BENEFIT CHART (e)

Rate of Contribution

System	Death After Retirement	Withdrawal	Age	Rate*
Public Employees' Retirement System	After 10 years, 3/16 X last year's salary, plus any optional settlement specified by member at time of retirement.	Return of contributions. 2% interest upon termination after 3 years membership.	20	5.03
			25	5.11
			30	5.41
			35	5.92
			40	6.43
			45	7.00
			50	7.54
			55	8.23
			Age	**Rate***
Public Employees' Retirement System (law enforcement officers)	After 10 years, 3/16 X last year's salary, plus any optional settlement specified by member at time of retirement.	Return of contributions. 2% interest upon termination after 3 years membership.	20	5.67
			25	6.25
			30	7.07
			35	8.00
			40	8.67
			45	9.21
			50	9.63
			55	9.91
			Age	**Rate***
Teachers' Pension and Annuity Fund	After 10 years, 3/16 X last year's salary (7/16 if covered by contributory insurance at retirement), plus any optional settlement specified by member at time of retirement.	Return of contributions. 2% interest upon termination after 3 years membership.	20	5.10
			25	5.10
			30	5.49
			35	6.08
			40	6.63
			45	7.18
			50	7.73
			55	8.40
Consolidated Police and Firemen's Pension Fund	Annual pension of one-half final average salary to dependent widow or widower and 2 children; lesser pension to fewer children (minimum of $2,500 to widow).	None	6% of salary	
Police and Firemen's Retirement System	Annual pension of 50% average final compensation to dependent widow or widower and 2 children (minimum $1,600 to widow); lesser pension to fewer children; plus after 10 years 1/2 X last year's salary.	Return of contributions upon termination of service.	20	7.73
			25	8.25
			30	8.88
			35	9.32
			40	9.74
			45	10.20
			50	10.55
			55	10.62

*Includes social security contribution of 2% of base salary up to maximum wages covered by social security.

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92.3 BENEFIT CHART (e) continued

System	Death After Retirement	Withdrawal	Rate*
Prison Officers' Pension Fund	Annual pension of one-half of average salary to widow or dependent widower and 2 children under 18 or disabled; for fewer children, a lesser annual pension (minimum of $1,600 to widow or dependent widower).	Return of contributions upon termination of service.	6% of salary
State Police Retirement System	Annual pension of one-half last year's salary and maintenance to dependent widow or 3 children under 18; a lesser annual pension to fewer children; plus after 10 years 1/2 X last year's salary.	Return of contributions upon termination of service.	7.5% of salary

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PENSION LEGISLATION

92.4 PENSION ADJUSTMENT ACT—In 1956 a committee was appointed by the Governor to study the problem of inadequate pensions. The product of the recommendations of the committee became Chapter 143 of the Laws of 1958, known as the Pension Adjustment Act, to be found in N.J.S.A. 43:3B-1 et seq. The act was amended and supplemented in 1961, 1964, 1969, and again in 1971. The pension adjustment program provides increases in the retirement allowances or pensions of certain retired public employees and certain beneficiaries of active and retired members. It applies only to State-administered retirement programs.

Originally the laws applied only to persons who retired in the years through 1954. As a result of Chapter 139 of the Laws of 1971, all pensioners were eligible except those who retired in the 3 calendar years prior to the year in which the adjustment is provided. Chapter 306 of the Laws of 1977 cut the waiting period to 24 months.

Under terms of previous legislation the program provided fixed increases based on percentages related to the year in which the member retired, and the fixed percentage of increase applied to only part of the allowance on pension. Under terms of Chapter 139 the fixed percentage of increase for those who retired prior to 1955 applied to the entire retirement allowance, and this was paid to pensioners if it exceeded any increase previously granted.

In addition to fixed increases Chapter 139 provided for an adjustment which is related to the changes in the cost-of-living from one year to another during the lifetime of the pensioner. Such adjustments are paid with the first pension check due for the first month at the beginning of a calendar year.

Under terms of Chapter 306, whatever the rise or decline might be in that cost-of-living, the pensioner or the eligible survivor is assured that at least 60 percent of any change in the cost of living, as reflected in the change in the Consumer Price Index, will be paid to him in a subsequent calendar year. This adjustment in pensions is available to all pensioners if (a) they are receiving their full, regular retirement allowance (there are those who will be disqualified in the months in which they are receiving only the annuity portion of their allowance or because they waived a portion or all of the pension that they are entitled to receive), and (b) no increase will be provided until 24 months have elapsed since the pensioner's retirement.

Additional changes in the pension adjustment program which were effected by the 1971 legislation are as follows:

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a. For the first time an increase is payable to dependents of certain active and retired members who are receiving statutory survivorship benefits. The increase is calculated on the survivor's original benefit to reflect the change in the cost of living since the member's death or retirement. However, if a statutory blanket increase was granted to a class of survivors, the increase is calculated on the statutory minimum benefits and reflects the change in the cost of living since the effective date of the minimum statutory benefit.

b. An increase is payable to many beneficiaries who are receiving survivorship option benefits which were selected by the member when he retired; the amount of the increase is calculated on the basis of the member's year of retirement. Option 1 beneficiaries in several systems will not qualify for a pension increase, but an option 1 retirant will be paid an increase which is calculated on the maximum retirement allowance without survivorship option for which he qualified at retirement.

c. Effective in 1972 the cost of living portion of the increase reflected 50 percent of the change in the cost of living since 1955; under the previous 1969 legislation the cost of living portion of the benefit reflected only the change in the index since 1967. Effective in 1978 the percentum of change was increased from 50 to 60 percent.

Prior to 1976 the percentage of adjustment in the Consumer Price Index was calculated by comparing the average index for the 12 months of the calendar year in which a member retired to the average index for the 12 months of the calendar year immediately preceding the statutory certification by the Director of the Division of Pensions as to the increases that would be payable to retirants and beneficiaries in the following year. Chapter 375, P.L. 1975, which was effective January 1, 1976, provided for the substitution of a later 12-month period in order to more properly reflect the rise in the index between the date of retirement and the calendar year in which the increase was payable. Effective January 1, 1976, the increase was calculated by comparing the index for the 12 months of the year of retirement to the average index for the 12-month period beginning September 1 and ending August 31 immediately preceding the effective date of the adjusted increase.

The increased allowances provided by Chapter 143, P.L. 1958, covering members retired through 1951, started with the month of January 1959. Increases provided by Chapter 144, P.L. 1961, and Chapter 198, P.L. 1964, covered members retired through 1954 and became effective respectively on July 1, 1962, and July 1, 1965. Chapter 169, P.L. 1969, covers all pensioners who are eligible and became effective January 1, 1970. Chapter 139, P.L. 1971, covers eligible pensioners and beneficiaries and became effective January 1, 1972. Chapter 306, P.L. 1977, became effective January 1, 1978.

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92.5 PENSION ADJUSTMENT ACT, EMPLOYER OBLIGATIONS—N.J.S.A. 43:3B-4 provides that the State will be responsible for increases payable to retired members of the Teachers' Pension and Annuity Fund, for former State employee members of the Public Employees' Retirement System and former State employee members of other State programs, such as the State Police Retirement System, Prison Officers' Pension Fund, the Central Pension Funds, the Judicial Retirement System, and the Police and Firemen's Retirement System.

Public employers other than the State are liable for their former employee members of the Public Employees' Retirement System, Police and Firemen's Retirement System, the Consolidated Police and Firemen's Pension Fund, and the Judicial Retirement System. Separate lists are prepared for each retirement system so it is possible for a municipality to receive three separate bills requesting payment for former employees retired as members of these three systems.

The increase in pensions is payable provided there is appropriated each year the amount certified by the Division of Pensions as due from the State for the State's appropriation to meet the cost of the increases to pensioners of those retirement systems where the State is liable for such increase. If the State does not appropriate its share, then the increase to all retirants of all systems is to cease.

By terms of N.J.S.A. 43:3B-4, the Director of the Division of Pensions is to certify, prior to December 1 of each year, the amount required to be appropriated by such public employer in the fiscal year following the fiscal year in which the certification was made. Employers whose fiscal year runs from January through December should pay their appropriation by March 30 of each year, while those whose fiscal year runs from July through June should pay their appropriation by July 15. In preparing the amounts to be certified the Pension Division will consider any credit balance remaining in the employer's account involving the decrements of the preceding year, while considering the increase in lives involving those pensioners who have completed the 24-month waiting period and who will accordingly be eligible for increases in the coming year. Checks for the total amounts given on the invoice should be made payable to "State of New Jersey, Pension Adjustment Fund." A copy of the invoice with the employer's remittance should be returned to the Chief Accountant, Division of Pensions, 20 West Front Street in Trenton and should be forwarded no later than March 30 or July 30 as required.

These appropriation billings are not related in any way to any appropriation request for any of the retirement systems in which the employer's members may be enrolled.

If payment of the full amount of the employer obligation is not made within 30 days of the due date, interest at the rate of 6 percent per annum shall commence to run against the unpaid balance. The employer's

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failure to pay within 30 days after being notified of his delinquency shall result in a suspension of payments to eligible pensioners of the employer on the first of the month 30 days later. All pensioners will be notified of the reason for the termination of the pension increase which they had been receiving. Also, at the request of the Attorney General, delinquent payments from employers including interest charges, may now be deducted from any monies payable by the State to local government employers.

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PENSION LEGISLATION
COUNTY CONTRIBUTORY SYSTEMS

93.1 INTRODUCTION—About 10,000 public employees in New Jersey are members of contributory pension funds other than State administered systems. There are at least 38 different plans. Of these plans 27 have less than 10 members each, and several are one member systems. Most of the employers participating in these plans have the overwhelming majority of their employees covered by the Public Employees' Retirement System.

93.2 COUNTY PENSION PLANS—The counties of Essex, Hudson, and Passaic have established pension plans for their employees. The Union County Park Commission has also established a plan for its police. Given below is a chart outlining the major provisions of these retirement systems.

Chapter 191, P.L. 1960, provides that persons employed by Essex County after March 26, 1961, may not become members of the Essex County Employees' Pension Fund. Such new employees are to be enrolled in the Public Employees' Retirement System and covered by social security.

Chapter 210, P.L. 1966, provides that persons employed by Passaic County after August 1, 1966, may not become members of the Passaic County Employees' Pension Fund. Such new employees are to be enrolled in the Public Employees' Retirement System and covered by social security.

Chapter 92, P.L. 1973, permitted all county policemen and county park policemen who were members of the Public Employees' Retirement System, or of any county retirement system, to transfer to the Police and Firemen's Retirement System by July 1973, and also provided that all county and county park policemen appointed on or after April 24, 1973, were required to enroll in the Police and Firemen's Retirement System.

Chapter 345, P.L. 1973, provides that persons employed by Hudson County after January 10, 1974, may not become members of the Hudson County Employees' Pension Fund. Such new employees are to be enrolled in the Public Employees' Retirement System and covered by social security.

Chapter 303, P.L. 1975, permitted certain members of the Essex County Employees' Pension Fund, the Passaic County Employees' Pension Fund, and county detectives who were members of County Detectives' Pension Funds and who were in titles which were eligible for

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membership in the Police and Firemen's Retirement System to transfer to that system by May 3, 1976, and also provided that those appointed in eligible titles after February 2, 1976, had to be enrolled in the Police and Firemen's Retirement System if they met the age and health requirements for enrollment. Chapter 207, P.L. 1977, made similar provision for industrial trade instructors and identification officers in the Essex County Fund.

93.3 BOARD OF EDUCATION EMPLOYEES' PENSION FUNDS IN FIRST-CLASS COUNTIES—There is a county-wide pension plan for school district employees in Essex County. These are employees who are not eligible for membership in the Teachers' Pension and Annuity Fund and who would otherwise be enrolled in the Public Employees' Retirement System.

Given below is a chart outlining the major provisions of this county-wide fund.

In December 1959 a referendum was held among the members of a similar Board of Education Employees' Pension Fund of Hudson County. As a result of the successful referendum this fund was terminated in February 1960 under terms of Chapter 169, P.L. 1956. The active membership was transferred to the Public Employees' Retirement System, and social security coverage was extended to all employees of school districts in Hudson County.

93.4 BENEFIT CHART (a)

Fund	Statutory Authority	Service Retirement Age	Mandatory Retirement Age
Essex County Employees' Pension Fund	N.J.S.A. 43:10-18.1 to 43:10-18.27	60 after 20 years, or after 35 years.	None
Hudson County Employees' Pension Fund	N.J.S.A. 43:10-1 to 43:10-18	60 after 20 years.	70*
Passaic County Employees' Pension Fund	N.J.S.A. 43:10-18.50 to 43:10-18.81	55 after 20 years, or after 30 years.	70
Board of Education Employees' Pension Fund of Essex County	N.J.S.A. 18A:66-94 to 18A:66-126	60 or after 30 years.	70
Union County Park Commission Police Pension Fund	N.J.S.A. 40:37-158 to 40:37-168.2	60 after 20 years.	None

*Reduced to 65 in annual decrements by July 1, 1981.

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93.4 BENEFIT CHART (b)

Fund	Disability Benefits	Service Retirement Benefits
Essex County Employees' Pension Fund	service-connected: one-half of final average salary.	one-half of final average salary.*
	nonservice-connected: after 1 year; 2 1/2% of final average salary* X years of service (not to exceed 50%).	deferred retirement after 15 years on proportionate pension.
Hudson County Employees' Pension Fund	nonservice-connected: after 10 years, 2 1/2% of salary X years of service (not to exceed 50%).	one-half of average salary in highest 3 fiscal years.
	service-connected: one-half of final salary.	
Passaic County Employees' Pension Fund	service-connected: one-half of final average salary.**	one-half of final average salary,** (plus 1% X such salary X years over 25, prior to age 70—25 years and age 55).
	nonservice-connected: 2 1/2% of final average salary X years of service.	early retirement after 30 years, but allowance actuarially reduced.
		deferred retirement after 20 years on proportionate pension.
Board of Education Employees' Pension Fund of Essex County	service-connected: one-half of annual salary at time of accident.	1/60 X final average salary** X years of service.
	non-service-connected: after 10 years; 9/10 of 1/60 X final average salary** X years of service (not more than 30 nor less than 17 years).	deferred retirement after 15 years, payable at age 60.
		early retirement after 25 years, but allowance decreased 0.5% for each month under age 60.
		special veteran's benefit of one-half of final salary after 20 years at age 60 (age 62 if membership began June 27, 1962, or later).
Union County Park Commission Police Pension Fund	service-connected: two-thirds of final average salary**	one-half of final average salary.**
	nonservice-connected: permanent, unfit for further duty; after 25 years, one-half of final average salary.**	

*5-year average

**3-year average

93.4 BENEFIT CHART (c)

Fund	Survivor's Benefits	Withdrawal
Essex County Employees' Pension Fund	before retirement: payable to widow, dependent widower, or minor children; 2 1/2% of final average salary X years of service (not to exceed 25%), or return of contributions to beneficiary or estate.	return of contributions without interest.
	after retirement: continuation of pension to widow, dependent widower, or minor children.	

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93.4 BENEFIT CHART (c) continued

Fund	Survivor's Benefits	Withdrawal
Hudson County Employees' Pension Fund	before retirement: after 5 years, payable to widow, widower, or minor children; 2 1/2% for each year up to one-half of final salary. Return of contributions to survivor if less than 5 years. after retirement: continuation of pension to widow, widower, or minor children.	return of contributions without interest.
Passaic County Employees' Pension Fund	before retirement, service-connected: payable to widow, widower, or minor children; one-half of final average salary (not less than $2,500) or return of contributions to parents or estate. before retirement, nonservice-connected: payable to widow, widower, or minor children; 2 1/2 of final average salary X years of service (not exceeding 25% and not less than $2,500) or return of contributions to parents or estate. If the member was eligible for service retirement at death, one-half of final average salary (not less than $2,500) would be payable. after retirement: continuation of pension to widow, widower, or minor children (not less than $2,500).	return of contributions without interest.
Board of Education Employees' Pension Fund of Essex County	before retirement, nonservice-connected: noncontributory insurance benefits of 1 1/2 X last year's salary (3/16 if age 70); plus return of contributions (plus optional death benefits, if purchased). before retirement, service-connected: annual pension of one-half final average salary to widow or minor children; plus return of contributions (plus optional death benefits, if purchased). after retirement (if no option selected): return of contributions with 2% interest less pension payments received: plus 1/2 X last year's salary or 1 1/2 X salary if retired on disability and death before age 60.	return of contributions with 2% interest.

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93.4 BENEFIT CHART (c) continued

Fund	Survivor's Benefits	Withdrawal
Union County Park Commission Police Pension Fund	before retirement, service-connected: payable to widow, minor children, or dependent parents; one-half of annual salary at time of accident.	return of contributions without interest.
	before retirement, nonservice-connected: payable to widow, one-half of final average salary,** or return of contributions to estate.	
	after retirement: continuation of pension to widow, minor children, or dependent parents.	

**3-year average

93.4 BENEFIT CHART (d)

Fund	Rate of Contribution
Essex County Employees' Pension Fund	6% of salary.
	employer pays 9%, increasing 1% each year beginning in 1967-68 until actuarially funded.
Hudson County Employees' Pension Fund	3% of salary.
	employer pays actuarially determined liability, funded over 30 years from January 1, 1975.
Passaic County Employees' Pension Fund	6% of salary.
	employer pays 10%, increasing 1% each year beginning in 1966-67 until actuarially funded.
Board of Education Employees' Pension Fund of Essex County	6% of salary.
	employer pays current actuarial liability and is funding accrued liability over 30 years.
Union County Park Commission Police Pension Fund	5% of salary.
	employer pays actuarially determined liability, funded over 30 years from January 1, 1956.

93.41 ESSEX COUNTY PENSION ADJUSTMENT ACT—Chapter 190, P.L. 1960, became effective with retirement allowances for July 1960. This act provided for increases in the retirement allowances of certain retired members of the Essex County Employees' Pension fund. It applied only to persons who retired in the years 1923-1951 and who were receiving retirement allowances from the county fund in amounts less than $2,500 per year. It established a percentage of increase applicable to the particular year of retirement, but the full percentage of increase was payable only if the retired employee had 20 years of service credit prior to retirement or was retired on a service-connected disability;

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a proportionately lesser increase was payable if the member had less than 20 years of service. Also, the increase was applicable only to the first $480 of the annual allowance, and in no event could the original pension and the increase exceed $2,500 annually.

The 1960 legislation was repealed in 1971 when Chapter 102, P.L. 1971, was enacted to substantially alter the pension adjustment program for retired members of the Essex County Employees' Pension Fund. The 1971 legislation provides fixed increases to members who retired prior to 1955 related to the year in which the member retired and applies to the entire retirement allowance. In addition to fixed increases, Chapter 102 also established an adjustment which is related to the change in the cost of living from one year to another during the lifetime of the pensioner. Such adjustments will be paid with the first pension check due for the first month at the beginning of the calendar year.

Under the 1971 legislation, whatever the rise or decline in the cost of living may be, the pensioner is assured that at least one-half of the change, as reflected in the Consumer Price Index, will be paid to him in a subsequent calendar year. This adjustment in pensions is available to all pensioners if (a) they are receiving their full regular retirement allowance (those who waived a portion or all of the pension to which they were entitled will be disqualified for the increase), and (b) no increase will be payable until the pensioner has been retired for at least 3 years.

93.42 PASSAIC COUNTY PENSION ADJUSTMENT ACT—Chapter 210, P.L. 1966, provided for increases in the retirement allowances of certain retired members of the Passaic County Employees' Pension Fund. It applied only to persons who retired in the years 1935-51. The percentage of increase was applicable to the particular year of retirement, and the full percentage of increase was payable if the retired employee had 20 years of service credit prior to retirement or was retired on a service-connected disability. Moreover the increase was applicable only to the first $480 of annual allowance. Chapter 127, P.L. 1978, substantially altered the pension adjustment program for retired members of the Passaic County Employees' Pension Fund. It established an adjustment which is related to the change in the cost of living from one year to another during the lifetime of the pensioner or beneficiary. Under such legislation the recipient is assured that at least 60 percent of the change, as reflected in the Consumer Price Index, will be payable in a subsequent calendar year. This adjustment is available if the pensioner or beneficiary is receiving the full pension, and no increase will be payable until the recipient has been retired for at least 24 months.

93.43 ESSEX COUNTY BOARD OF EDUCATION EMPLOYEES' PENSION FUND ADJUSTMENT ACT—Chapter 364, P.L. 1968, provided for increases in the retirement allowances of certain retired members of the Board of Education Employees' Pension Fund of Essex County effective January 1969. The 1968 legislation applied only to

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persons who retired in the years 1932-1954, inclusive. The percentage of increase was applicable to the particular year of retirement, and the full percentage of increase was payable only if the retired member had 25 years of service credit at retirement or was retired on a service-connected disability. Moreover, the increase was applicable only on the first $900 of the member's annual benefit.

Chapter 364, P.L. 1968, was repealed by the enactment of Chapter 278, P.L. 1971, which substantially altered the pension adjustment program for retired members of the Board of Education Employees' Pension Fund. The 1971 legislation provides fixed increases to members who retired prior to 1955 related to the year in which the members retired and applies to the entire retirement allowance. In addition to fixed increases, Chapter 278 also established an adjustment which is related to the change in the cost of living from one year to another during the lifetime of the pensioner. Such adjustments will be paid with the first pension check due for the first month at the beginning of the calendar year.

Under the 1971 legislation, whatever the rise or decline in the cost of living may be, the pensioner is assured that at least one-half of the change, as reflected in the Consumer Price Index, will be paid to him in a subsequent calendar year. This adjustment in pensions is available to all pensioners if (a) they are receiving their full regular retirement allowance (those who waived a portion or all of the pension to which they were entitled will be disqualified for the increase), and (b) no increase will be payable until the pensioner has been retired for at least 3 years.

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PENSION LEGISLATION

OTHER COUNTY CONTRIBUTORY SYSTEMS

93.5 OTHER COUNTY CONTRIBUTORY SYSTEMS—14 counties maintain a total of 33 other county pension funds for employees rendering specific services. Such funds cover detectives, probation officers, sheriff employees including court attendants, county police, superintendents and assistant superintendents of weights and measures, court interpreters, sergeants-at-arms and court criers, and court clerks.

The provisions of the acts governing these pension funds are similar: most provide for retirement on one-half pay at age 60 after 20 years of continuous service; most provide disability benefits of one-half pay after 20 years of service; survivor benefits are available before or after retirement; the rate of contribution is generally 3 percent of salary.

In 1947 some of these acts were amended so that the governing body of the county could adopt a resolution closing the pension fund to new employees where such new employees were eligible to become members of the Public Employees' Retirement System. Of the 33 pension funds, 30 have been closed to new employees by county resolutions.

Given below are two charts. The first outlines the benefits and other major provisions of these county funds. The second chart indicates the location of each of these 33 funds. An "M" indicates the existence of such a fund in the particular county, while a "C" indicates that the fund has been closed to new employees.

Although the Detectives' Pension Fund of Hudson County has not been closed to new employees by a county resolution, Chapter 156, P.L. 1973, provides that all detectives appointed by any county on or after June 1, 1973, and that all county correction officers and county policemen appointed by any county on or after February 2, 1976, must be enrolled in the Police and Firemen's Retirement System if they meet the age and health requirements for enrollment.

93.6 BENEFIT CHART (a)

Fund	Statutory Authority	Service Retirement Age	Mandatory Retirement Age
Detectives' Pension Fund	N.J.S.A. 43:10-19 to 43:10-29.3	60 (55 if 30 aggregate years of service as detective and policeman)	72 after 20 years of continuous service.

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93.6 BENEFIT CHART (a) continued

Fund	Statutory Authority	Service Retirement Age	Mandatory Retirement Age
Probation Officers' Pension Fund	N.J.S.A. 43:10-45 to 43:10-59.2	60	None
Sheriffs' Employees' Pension Fund (Court Attendants)	N.J.S.A. 43:10-60 to 43:10-72.3	60	None
County Police Pension Fund	N.J.S.A. 43:10-36 to 43:10-44	50	65 after 20 years
Weights and Measures Pension Fund	N.J.S.A. 43:10-106 to 43:10-114	60	None
Court Interpreters' Pension Fund	N.J.S.A. 43:10-93 to 43:10-105.3	60	None
Sergeants'-at-Arms and Court Criers' Pension Fund	N.J.S.A. 43:10-73 to 43:10-83	60	None
Court Clerks' Pension Fund	N.J.S.A. 43:9A-1 to 43:9A-8	65	None

93.6 BENEFIT CHART (b)

Fund	Service Retirement Benefits	Disability Benefits
Detectives' Pension Fund	20 years of continuous service, one-half of final salary.	In line of duty; unfit for duty after 20 years of continuous service; one-half of the final salary.
Probation Officers' Pension Fund	20 years of continuous service, one-half of final salary.	Permanent or unfit for duty; one-half of final salary.
Sheriffs' Employees' Pension Fund (Court Attendants)	20 years of continuous service, one-half of final salary.	In line of duty; unfit for duty after 20 years of continuous service; one-half of final salary.
County Police Pension Fund	20 years of aggregate service, one-half of final salary, plus 1% of salary for each year over 25 years prior to attainment of age 65.	In line of duty; 2/3 of final salary.
Weights and Measures Pension Fund	20 years of continuous service, one-half of final salary.	In line of duty; unfit for duty after 20 years of continuous service; one-half of final salary.
Court Interpreters' Pension Fund	30 years of continuous service, one-half of final salary.	In line of duty; unfit for duty after 30 years of continuous service; one-half of final salary.
Sergeants'-at-Arms and Court Criers' Pension Fund	20 years of aggregate service, one-half of final salary.	In line of duty; unfit for duty after 20 years of continuous service; one-half of final salary.
Court Clerks' Pension Fund	30 years of continuous service, not less than one-half of final salary.	Unfit for duty after 25 years of continuous service at age 60; not less than one-half of final salary.

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93.6 BENEFIT CHART (c)

Fund	Survivor's Benefits	Withdrawal
Detectives' Pension Fund	Before or after retirement, payable to widow or children; one-half of final salary.	None
Probation Officers' Pension Fund	Before or after retirement, payable to widow, dependent widower, or children; one-half of final salary.	After 4 years, return of contributions without interest.
Sheriffs' Employees' Pension Fund (Court Attendents)	Before or after retirement, payable to widow or children; one-half of final salary.	None, except for war veterans who were members of the former pension funds for court attendants in second class counties.
County Police Pension Fund	After 10 years up to $2,000 a year payable to widow, children, or sole dependent parent and if contributing, payable after retirement.	None
Weights and Measures Pension Fund	Before retirement, payable to widow, children, or sole dependent parent; one-half of final salary.	None
Court Interpreters' Pension Fund	Before or after retirement, payable to widow; one-half of final salary.	None
Sergeants'-at-Arms and Court Criers' Pension Fund	Before or after retirement, payable to widow; one-half of final salary.	None
Court Clerks' Pension Fund	After 25 years of continuous service, and if additional 2% contributed, not less than one-half of final salary is payable to widow.	None

93.6 BENEFIT CHART (d)

Fund	Rate of Contribution	Act to Close Fund
Detectives' Pension Fund	3% of salary; employer pays 3% and makes up all deficits	C.173, P.L. 1947
Probation Officers' Pension Fund	3% of salary; employer pays 3% and makes up all deficits	C. 170, P.L. 1947
Sheriffs' Employees' Pension Fund (Court Attendants)	3% of salary; employer pays 3% and makes up all deficits	C. 172, P.L. 1947
County Police Pension Fund	2% of salary if entered service before age 35; employer pays 4% and makes up all deficits	None
Weights and Measures Pension Fund	3% of salary; employer pays 3% and makes up all deficits	C. 171, P.L. 1947
Court Interpreters' Pension Fund	3% of salary; employer pays 3% and makes up all deficits	C. 174, P.L. 1947
Sergeants'-at-Arms and Court Criers' Pension Fund	3% of salary; employer pays 3% and makes up all deficits	None
Court Clerks' Pension Fund	3% of salary plus extra 2% for death benefits; employer pays balance	None

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93.7 LOCATION CHART (a)

Employing County	Detectives' Pension Fund	Probation Officers' Pension Fund	Sheriffs' Employees' Pension Fund (Court Attendants)	County Police Pension Fund
Atlantic	MC	MC		
Bergen	MC	MC	MC	MC
Burlington	MC	MC		
Camden	MC	MC	MC	
Cape May				
Cumberland				
Essex				
Gloucester		M		
Hudson	M		MC	
Hunterdon				
Mercer	MC	MC		
Middlesex	MC		MC	
Monmouth	MC	MC		
Morris	MC			
Ocean				
Passaic				
Salem				
Somerset	MC			
Sussex				
Union	MC	MC	MC	
Warren				

93.7 LOCATION CHART (b)

Employing County	Weights and Measures Pension Fund	Court Interpreters' Pension Fund	Sergeants'-at-Arms and Court Criers' Pension Fund
Atlantic			
Bergen			
Burlington			
Camden		MC	
Cape May			
Cumberland			
Essex			
Gloucester			MC
Hudson			
Hunterdon	M		
Mercer	MC		
Middlesex			
Monmouth	MC		
Morris	MC		
Ocean			
Passaic			
Salem			
Somerset	MC		
Sussex	MC		
Union			
Warren			

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93.71 COUNTY DETECTIVES' PENSION ADJUSTMENT ACT—Chapter 285, P.L. 1970, which became effective August 19, 1971, permits a second class county to adjust the retirement allowances of retired members of county detectives' pension funds which were established under N.J.S.A. 43:10-19 et seq. to reflect increases or decreases in living costs notwithstanding the maximum pensions permitted under sections 20 and 21 of N.J.S.A. 43:10. However, no adjustments under this legislation may exceed those permitted for retired members of State-administered retirement systems under Chapter 143, P.L. 1958, as amended and supplemented.

93.72 SHERIFFS' EMPLOYEES' PENSION ADJUSTMENT ACT —Chapter 400, P.L. 1979, which became effective February 8, 1980, permits a second-class county to adjust the retirement allowances of retired members of sheriffs' employees' pension funds which were established under N.J.S.A. 43:10-60 et seq. to reflect increases or decreases in living costs nothwithstanding the maximum pensions permitted under sections 61, 63-64, 66-67 of N.J.S.A. 43:10. However, no adjustments under this legislation may exceed those permitted for retired members of State-administered retirement systems under Chapter 143, P.L. 1958, as amended and supplemented.

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PENSION LEGISLATION

MUNICIPAL CONTRIBUTORY SYSTEMS

93.8 MUNICIPAL RETIREMENT SYSTEMS—The cities of Newark and Jersey City maintain municipal-wide pension funds for their employees. The City of Atlantic City maintains a retirement system for life guards.

Given below is a chart outlining the major provisions of these municipal systems.

93.9 BENEFIT CHART (a)

Fund	Statutory Retirement Authority	Service Retirement Age	Mandatory Age
Newark City Employees' Retirement System	N.J.S.A. 43:13-22.2 to 43:13-22.41	55 after 25 years.	70
Employees' Retirement System of Jersey City	N.J.S.A 43:13-22.50 to 43.13-22.66	60 after 20 years.	65
Atlantic City Life Guard Pension Fund	N.J.S.A. 43:13-23 to 43:13-29	45	None

93.9 BENEFIT CHART (b)

Fund	Disability Benefits	Service Retirement Benefits
Newark City Employees' Retirement System	service-connected: one-half of final salary and 2 1/2% of salary for each year over 30, not to exceed 40 years (benefit not to exceed $12,000).	one-half of final salary after 25 years at age 55 and 2 1/2% of salary for each year over 30 (not to exceed 75% or $12,000).
	nonservice-connected: after 5 years, 2 1/2% of salary after the first year for the first 20 years (not to exceed 50%) and 2 1/2% of salary for each year over 30 (benefit not to exceed 75% or $12,000).	early retirement after 25 years service; allowance actuarially reduced for each year until 55. deferred retirement after 15 years on proportionate pension at 60 but not before 25 years have elapsed since beginning date of membership.

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93.9 BENEFIT CHART (b) continued

Fund	Disability Benefits	Service Retirement Benefits
Employees' Retirement System of Jersey City	service-connected: annual pension of 2 of final salary. (*) nonservice-connected: after 5 years of service, one-half of final salary plus 0.5% of final salary for each year of service over 20 years.	one-half of final salary (*) after 20 years at age 60 plus 0.5% of final salary for each year of service over 20 years; or 2% of final salary for each year of service if less than 20 years at age 65. deferred retirement after 15 years on proprotionate pension. early retirement after 25 years but allowance actuarially reduced.

(*) Final salary—annual salary at death or retirement if employed before February 22, 1965; average of highest 5 in the last 10 years if employed on or after February 22, 1965. One-half of 1% of final salary provision applicable only to members as of June 18, 1966.

Atlantic City Life Guard Pension Fund	in line of duty; one-half of final salary.	after 20 years of service of which the last 10 years have been continuous, one-half of final salary.

93.9 BENEFIT CHART (c)

Fund	Survivor's Benefits	Withdrawal
Newark City Employees' Retirement System	before retirement; service-connected: payable to widow, dependent widower, minor children, or dependent parent; one-half of final salary (not to exceed $3,000) or 50% return of contributions to estate, without interest. before retirement; nonservice-connected: after 5 years, payable to widow, dependent widower, minor children, or dependent parent; 2 1/2% of final salary X years of service (not to exceed 50% or $3,000 or be less than $1,000) or return of contributions to estate, without interest. after retirement: payable to widow, dependent widower, minor children, or dependent parent; maximum of $3,000 and minimum of $1,000.	return of contributions without interest.
Employees' Retirement System of Jersey City	before retirement, service-connected or after 20 years service: payable to widow, dependent widower, minor children, or dependent parents; one-half final salary (*) (not to exceed $2,100) or return of contributions to estate without interest.	return of contributions without interest.

*Final salary—annual salary at death or retirement if employed before February 22, 1965; average of highest five in last ten years if employed on or after February 22, 1965.

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93.9 BENEFIT CHART (c) continued

Fund	Survivor's Benefits	Withdrawal
	before retirement, nonservice-connected: after 5 years but less than 20, payable to widow, dependent widower, minor children, or dependent parents; 2 1/2% of final salary (*) X years of service (not to exceed $100 per year of service) for return of contributions to estate, without interest. after retirement: payable to widow, dependent widower, minor children, or dependent parents one-half of final salary (*) not to exceed $2,100 or return of contributions to estate without interest.	
Atlantic City Life Guard Pension Fund	before or after retirement: payable to widow, minor children, or dependent parents; one-half of final salary.	None

93.9 BENEFIT CHART (d)

Fund	Rate of Contribution: Age	Rate*	
Newark City Employees' Retirement System	Under 35	6.00	Employer pays equal amount, increasing 1% each year beginning in 1966-67 until actuarially funded.
	35-36	6.25	
	36-37	6.50	
	37-38	6.75	
	38-39	7.00	
	39-40	7.25	
	40-41	7.50	
	41-42	7.75	
	42-43	8.00	
	43-44	8.25	
	44-45	8.50	
Employees' Retirement System of Jersey City	Members prior to February 22, 1965.		Employers pay actuarially determined normal contribution and 4% of accrued liability each year.
	Age at Appointment	**Rates**	
	Not exceeding 35 years.	6%	
	Between 35-36 years.	6 1/2	
	Between 36-37 years.	7	
	Between 37-38 years.	7 1/2	
	Between 38-39 years.	8	
	39 and over	8 1/2	
	Members on or after February 22, 1965		

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93.9 BENEFIT CHART (d) continued

	Rates	
Age at Entrance	Men	Women
20 and under	6.00%	6.40%
25	6.40	6.80
30	7.00	7.50
35	7.90	8.40
40	9.20	9.80
45	9.40	10.00
50 and over	9.70	10.60

Atlantic City Life Guard Pension Fund	4% of salary. employer pays 4% and makes up all deficits.

93.91 NEWARK CITY EMPLOYEES' RETIREMENT SYSTEM PENSION ADJUSTMENT ACT—Chapter 277, P.L. 1971, provides for increases in the retirement allowances of retired members of the Newark City Employees' Retirement System effective January 1, 1972.

The legislation provides fixed increases to members who retired prior to 1955 related to the year in which the member retired and applies to the entire retirement allowance. In addition to fixed increases, Chapter 277 also established an adjustment which is related to the change in the cost of living from one year to another during the lifetime of the pensioner. Such adjustments will be paid with the first pension check due for the first month at the beginning of the calendar year.

Under this legislation, whatever the rise or decline in the cost of living may be, the pensioner is assured that at least one-half of the change, as reflected in the Consumer Price Index, will be paid to him in a subsequent calendar year. This adjustment in pensions is available to all pensioners if (a) they are receiving their full regular retirement allowance (those who waived a portion or all of the pension to which they were entitled will be disqualified for the increase), and (b) no increase will be payable until the pensioner has been retired for at least 3 years.

94. MERGER OF CONTRIBUTORY FUNDS WITH THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Chapter 169 of the Laws of 1956 makes the Public Employees' Retirement System available to members of other contributory pension funds. However, membership in this system is predicated on the obtainment of social security coverage. The provisions of Chapter 169 become operative 60 days after the members of any system have voted favorably in a referendum to secure social security coverage. Social security coverage is made possible after a majority of the membership vote in favor of its adoption in a referendum called by the Governor.

When Chapter 169 becomes operative, the pension fund is terminated, and all securities, assets and records are transferred to the Public Employees' Retirement System. The members of the terminated plan become members of the statewide Public Employees' Retirement Sys-

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tem, with credit for public service comparable to that established in the terminated plan. Other employees who are in positions covered by, but not members of, the terminated fund may become members of the Public Employees' Retirement System within 1 year, while new eligible employees automatically become members.

The first step to be taken by any interested group is to contact the Director of the Division of Pensions who will review with the interested parties the feasibility of the merger and its implications.

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PENSION LEGISLATION

NONCONTRIBUTORY ACTS

95.1 GENERAL NONCONTRIBUTORY PENSION ACT—In 1954 a legislative commission was appointed to study noncontributory pensions. The first product of the recommendations of the commission became Chapter 263 of the Laws of 1955, known as the General Noncontributory Pension Act, to be found in N.J.S.A. 43:8B-1 et seq.

This act repeals some sixty noncontributory pension laws payable to county, municipal, and school district employees. In place of these pension laws, the act provides one overall pension program which is integrated with Federal Social Security. No pension may be granted under any of the repealed statutes after January 11, 1956. Any pension granted prior to that date is to be continued as originally granted.

95.2 ELIGIBILITY—Any employee who is not a member of and was not required by law to become a member of a contributory retirement system other than social security may be eligible for benefits under the General Noncontribuory Pension Act. Such employee may, at the discretion of his employer, be retired and granted a pension under the act. However, no employee may receive such pension if he is eligible to receive a pension for the same employment under any other law of this State.

Conditions of eligibility are as follows:

a. The employee must be at least 65 years old, or have been employed by an employer for at least 40 years, or be permanently and totally disabled.

b. The employee cannot be retired because of disability unless he has at least 5 years of service with the employer.

c. The employee cannot be retired for reasons other than disability unless he had at least 15 years of service with the employer.

An employee is considered "permanently and totally disabled" when he is not only physically or otherwise incapacitated but when it appears that such incapacity will, in all reasonable probability, continue permanently. The act provides for a medical examination of the disabled employee and for annual medical examinations for pensioners under the age of 65. Benefits are not payable to a pensioner who is no longer considered disabled or who refused to submit to an examination.

95.3 PENSION AMOUNT—The amount of the pension shall be fixed by the employer according to uniform percentages of final average salary

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applicable generally to all employees who are eligible for benefits under the act. Such percentages must be adopted by resolution and shall not exceed an amount which, when added to the social security benefit for which the employee is or could be eligible, will produce a total retirement allowance equal to:

a. 30 percent of final average salary if employed for less than 20 years; or

b. 50 percent of final average salary if employed for 20 years or more; provided, however, that in the case of an employee having 35 years of public employment and being age 65, or having 40 or more years of service, the total retirement allowance shall not be less than 25 percent of his final average salary.

The amount of the pension, once established, shall not be reduced later because of an increase in the amount of the employee's social security benefit.

For purposes of the General Noncontributory Act, "final average salary" means the average base compensation paid for the 5 years of the pensioner's employment preceding his retirement.

95.4 BUDGET APPROPRIATION—The payment of pensions granted under the act must be provided for in the annual budget of the employer.

95.5 CHAPTER 190, P.L. 1955—This act, which repealed certain noncontributory pension acts payable to State employees, was a companion bill to the General Noncontributory Pension Act.

95.6 CHAPTER 206, P.L. 1957—Among other things, this act repealed certain noncontributory judicial pension acts.

95.7 GENERAL NONCONTRIBUTORY PENSION ADJUSTMENT ACT—Chapter 379, P.L. 1971, (N.J.S.A. 43:8B-9) became effective with retirement allowances paid in the fiscal year next following the enactment of the legislation. This act provides for increases in pensions paid to eligible pensioners who are receiving benefits under the General Noncontributory Pension Act or one of the statutes which were repealed when the General Act was enacted.

The legislation provides fixed increases to pensioners who retired prior to 1955 related to the year in which the employee retired and applied to the pension actually paid. In addition to fixed increases, Chapter 379 also established an adjustment which is related to the change in the cost of living from one year to another during the lifetime of the pensioner. Such adjustments will be paid with the first pension check due for the first month at the beginning of the calendar year.

Under this legislation whatever the rise or decline in the cost of living may be, the pensioner is assured that at least one-half of the change, as reflected in the Consumer Price Index, will be paid to him in a subsequent calendar year. This adjustment in pensions is available to

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all pensioners if (a) they are receiving their full regular pension (those who waived a portion or all of the pension to which they were entitled will be disqualified for the increase), and (b) no increase will be payable until the pensioner has been retired for at least 3 years.

96.1 VETERANS' RETIREMENT ACT—N.J.S.A. 43:4-1 provides a noncontributory pension to persons who have attained age 62 or have become incapacitated after 20 years of public service, and who have served in, and have been honorably discharged from, the armed forces of the United States, including nurses, during specified wars of military expeditions in which the United States has been engaged.

The courts have held that the eligibility requirements of this act must be considered together so that an individual retiring after 20 years of service, but before attaining age 62, is not entitled to a pension unless he is disabled.

The courts have also held that the length of service qualification could be satisfied based on a combination of service for the State, a county, a municipality, and a school district.

Further, the courts have held that service, without compensation, as a member of a local governing body, could not be considered as service in determining a veteran's right to a pension under the Veterans' Retirement Act.

96.2 RETIREMENT OF VETERANS—N.J.S.A. 43:4-2 provides that when a veteran has been, or shall have been, for 20 years continuously or in the aggregate, in employment of this state or of a county, municipality, school district, or board of education, the appointing authority may, with his assent, order his retirement, or he shall be retired on his own request.

The courts have held that a teacher was eligible for benefits even though he did not have 20 years of continuous service in employment in the same department of government.

The courts have also held that where the voters of a school district had at a referendum expressed disapproval of an obligation to pay a retired teacher benefits under the Veterans' Retirement Act, that this was no argument in an action to recover the benefits which should have been paid.

96.3 AMOUNT OF PENSION—N.J.S.A. 43:4-3 provides that a veteran so retired shall be entitled to receive a pension of one-half of the compensation then being received by him for his service. His pension will be paid during his natural life. No pension shall be less than $50 per month unless the person was receiving compensation of less than $50 per month at the time of retirement, in which case he shall be paid the full amount then received by him for his service.

96.4 WAIVER—N.J.S.A. 43:4-3 also provides that a veteran retiring

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under any other law of this State shall waive either his pension under that law or the pension payable under the Veterans' Retirement Act.

The courts have also held that a policeman who was a veteran has a right to choose between the Veterans' Retirement Act and the benefits of a regular pension system, but upon a choice of either he was obliged to waive the other.

96.5 PROVISIONS FOR PENSION—N.J.S.A. 43:4-4 provides that provision for such free veteran's pension shall be made in the appropriations of the public agency from which the veteran shall be retired. Moreover, no pension shall cease because the agency has been abolished.

96.6 FUNDING THE VETERANS' RETIREMENT ACT—For some time many State and local officials were concerned about the financial implications of the provisions of the Veterans' Retirement Act. The growing number of veterans in public employment after World War II led many to suggest means by which these ever increasing liabilities could be funded. Part of the solution to this problem came as a result of legislation governing the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund.

Membership in the Public Employees' Retirement System was made compulsory for every eligible veteran first employed in public service after 1954 who is not a member of, or eligible to become a member of, a contributory retirement system other than social security.

All eligible veterans similarly employed prior to 1955 had the option of enrolling in the Public Employees' Retirement System, but whether they enrolled in that system or not, their rights to any benefits under the Veterans' Retirement Act were terminated.

Eligible veterans were enrolled as of January 1, 1955, and upon the satisfactory submission of evidence regarding prior service, were granted free credit for such prior service in the retirement system. Those who had been members of the State system prior to 1955 received a refund of their contributions for periods prior to that date.

Similar legislation was enacted affecting veterans who were eligible to be members of the Teachers' Pension and Annuity Fund.

Provisions were made for participating employers to fund the liability for the prior service of these veterans over a period of years in both the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund.

96.7 VETERAN MEMBERS OF STATE SYSTEMS AND VETERANS' RETIREMENT ACT—N.J.S.A. 43:15A-56 and N.J.S.A. 18A:66-52 provide that eligible veteran public employees who are members of, or who are eligible to become members of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund, may not receive any pension under the Veterans' Retirement Act.

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The waiver provided by N.J.S.A. 43:4-3 does not, therefore, apply to such veterans.

Although the provisions of the Veterans' Retirement Act no longer apply to these veterans, provisions in the acts governing the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund have been made for special benefits applicable to these veterans. Actually, the liberal eligibility requirements of the Veterans' Retirement Act have been established in the State systems in order to provide these special benefits to eligible veterans.

In effect then, although the special benefit and eligibility requirements are similar, the financial problem raised by the Veterans' Retirement Act was resolved by the funding by employers of the prior service as well as the current service liabilities and the contributions by veterans beginning in 1955 towards their retirement.

96.8 AVAILABILITY OF VETERANS' RETIREMENT ACT—As indicated above, the Veterans' Retirement Act is not available to any veteran who is eligible for membership in the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund. This covers most areas of public employment except those in which there have been established other contributory pension funds. Individuals who are not actually members of such other contributory retirement systems but who are covered by social security are eligible for membership in the Public Employees' Retirement System so that the waiver provision of N.J.S.A. 43:4-3 does not apply to them; however, where the veteran first became eligible for membership in the Public Employees' Retirement System in 1966 as a result of the enactment of Chapter 71 of the Laws of 1966, he had the option to receive the benefits of the noncontributory Veterans' Retirement Act by waiving his rights to benefits provided by the Public Employees' Retirement System.

96.9 VETERAN MEMBERS OF ESSEX COUNTY SCHOOL DISTRICT EMPLOYEES' PENSION FUND—Chapter 98, P.L. 1962, placed eligible veteran members of the Essex County School District Employees' Pension Fund on a basis comparable to that of veterans eligible for membership in the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. Thus, veterans eligible for membership in this county contributory system are no longer eligible for benefits under the Veterans' Retirement Act.

96.10 VETERANS' RETIREMENT ADJUSTMENT ACT—Chapter 294, P.L. 1967, (N.J.S.A. 43:4-3.1) became effective with retirement allowances for January 1968. This act provides for increases in the pensions paid to certain veterans retired prior to January 1, 1955, and who are receiving a pension under the Veterans' Retirement Act payable by any county, municipality, or school district. The implementation of the increase is at the option of the employer.

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The law applies only to persons who retired in the years 1920-1954, inclusive. The percentage of increase is applicable to the particular year of retirement. The increase is applicable on the first $900 of annual pension.

97.1 HEATH ACT—N.J.S.A. 43:5-1 et seq., as amended, is commonly known as the Heath Act and applies to all persons in State service prior to January 1, 1922.

Retirement is at the option of the employer or the employee after 25 years of continuous service at age 60 if the employee is incapacitated for further service and is not covered by any other pension act. The amount of the pension is one-half of the average salary for the last 2 years.

In the event of death before or after retirement of any eligible person, an amount equal to such person's salary in his last full year of service will be payable to a named beneficiary.

These pension payments are made by the Central Pension Fund.

97.2 CERTAIN STATE EMPLOYEES—Chapter 249, P.L. 1973, provides a pension of 1 percent of 5-year final salary for each year of service to a State employee who (a) has been continuously employed by the State for at least 30 years, and (b) has reached the age of 65 or is permanently and totally disabled, and (c) is not eligible to receive a pension for said State employment under any other law of this State, and (d) was not required by law at the time of appointment of employment, or at any time thereafter, to become a member of the State Employees' Retirement System who did not elect to become a member of the successor Public Employees' Retirement System.

These payments are made by the Central Pension Fund.

97.3 CERTAIN PUBLIC OFFICERS IN FIRST CLASS COUNTIES—N.J.S.A. 43:9-27.2 provides for the payment of a pension of one-half of salary in the last year of service, at the discretion of the governing body of the county, after 20 years service in the county including not less than 15 years as a judge of the Court of Common Pleas and on attainment of age 75.

The county treasurer will make payment semimonthly in the same manner as other county pensions are paid.

97.4 WIDOWS OF GOVERNORS—State appropriation acts may provide an annual pension of $4,000 to the widow of any Governor of the State.

These payments are made by the Central Pension Fund.

97.5 BLIND VETERANS—N.J.S.A. 38:18-1 et seq. provided for the payment of a pension of $500 per year to any veteran who is totally blind as a result of his military service; effective January 1, 1971, the annual pension was increased to $750.

These payments are made by the Central Pension Fund.

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97.6 DISABLED VETERANS—N.J.S.A. 38:18A-1 et seq. provides for the payment of a pension of $500 per year to any veteran who is disabled, in the following manner, as a result of his military service:

(a) Permanent paralysis of both arms and lower extremities.

(b) Paraplegia—Permanent paralysis of both legs and lower parts of the body.

(c) Osteochondritis—Permanent loss of use of both legs.

(d) Hemiplegia—Permanent paralysis of one leg and one arm, or either side of the body resulting from injury to spinal cord, skeletal structure, or brain.

(e) Amputation—Both hands, both feet, or one hand and one foot.

(f) Multiple Sclerosis—Lost use of both feet or both legs.

These payments are made by the Central Pension Fund.

98.1 OVERSEERS AND DEPUTY OVERSEERS OF THE POOR (RETIRED BEFORE JANUARY 2, 1964)—N.J.S.A. 43:12-28.4 et seq. provided that the governing body of any municipality could grant an annual pension not exceeding $1,000 to a person 75 years of age, or older, who had served the municipality as overseer or deputy overseer of the poor for at least 20 years provided he was not entitled to receive any other New Jersey public pension, and further provided, that application for the pension was made to the municipality prior to November 17, 1964.

98.2 EMPLOYEES WHO SERVED IN GENERAL ASSEMBLY, AS COUNTY PROSECUTOR AND AS ELECTED OR APPOINTED CITY OFFICIAL AND THEIR WIDOWS—N.J.S.A. 43:12-1.12 provides that any employee, at least age 70, and who served as a member of the General Assembly and as a county prosecutor and as an elected or appointed city official for at least 36 years, shall receive a pension of not less than three-fourths of final salary from his last employer.

Widows of such active or retired employees receive a pension of one-half of the employee's final salary at death or retirement.

98.3 EMPLOYEES WHO SERVED IN CONGRESS, IN THE LEGISLATURE AND IN STATE EMPLOYMENT FOR MORE THAN 37 YEARS—Chapter 62, P.L. 1967, provides a 75 percent compensation pension for any public employee who served in the army during World War I, was at least 70 years of age, had served more than 37 years in the public service, including 2 years in the Legislature, 12 years in Congress, and 21 years in State employment.

98.4 WIDOW OF RETIRED COUNTY CLERK—N.J.S.A. 43:9-40 permits a county of the second class to provide a pension to a widow of any former county clerk who retired after more than 30 years of service. The annual pension equals one-third of the salary paid to her husband at the time of his retirement.

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98.41 **WIDOW OF FORMER EMPLOYEE**—Chapter 11, P.L. 1976, permits a first class city (less than 400,000 population) to adopt an ordinance to grant an annual pension to the widow of a former public employee who served at least 7 years as a member of the police department, at least 4 years as an elected member of city council, and at least 4 years in one or more offices, positions, or employments of the city, has attained 57 years of age, and has died. The pension is set at one-half of the annual compensation the employee received in his last year of service and is in lieu of any other pension or insurance benefit under any retirement system established by the State or any of its political subdivisions.

98.5 **SECRETARY OF BOARD OF EDUCATION WITH MORE THAN 40 YEARS OF SERVICE**—N.J.S.A. 18A:17-12.1 permits a board of education to provide a pension to a secretary of the board who served at least 30 years on a part-time basis and 10 or more years on a full-time basis and who was at least 65 years of age. The pension may not exceed 50 percent of the salary exclusive of social security benefits, but inclusive of any benefits payable under the General Noncontributory Act.

98.6 **WIDOWS OF CERTAIN FORMER STATE EMPLOYEES WHO SERVED IN THE DEFENSE DEPARTMENT**—Chapter 218, P.L. 1968, permits the payment of a pension to widows of certain former State employees who had served in the Defense Department for 25 years or more and who had served in the Senate of New Jersey. The pension is stipulated at $2,500 per annum and shall be in lieu of any other pension that the widow may be entitled to receive from the State.

98.7 **SHERIFF'S SECRETARY**—Chapter 303, P.L. 1971, permits the board of freeholders of a county to pay an annual pension of not more than one-fourth of the salary which was paid in the last year of employment to a sheriff's secretary who has attained at least 62 years of age and who has served 10 or more years in the employ of the sheriff and who suffered partial disability as the result of a gun shot wound suffered in the line of duty.

98.8 **CITY PHYSICIAN**—Chapter 38, P.L. 1975, permitted the city of Summit to grant a $12,000 annual pension to a named former city physician who served the city as physician and health officer for more than 51 years.

99.1 **DEPENDENTS OF COUNTY AND MUNICIPAL POLICE AND FIREMEN KILLED IN THE LINE OF DUTY**—N.J.S.A. 40:11-22 provides that the governing body of any county or municipality may, by resolution or ordinance, provide for the payment of a pension to the widow and minor children of a uniformed member of a county police or park police department or of a municipal fire, police, or park police department, who was killed in the performance of duty. The pension

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shall not exceed the difference between (a) his salary at death or $4,000, whichever is lower, and (b) the sum of the aggregate benefits payable to the widow and minor children under any law of this State or of the United States. The pension shall be paid to the widow and minor children, or to the minor child or children if he leaves no widow, or to such minor child or children after the death of such widow.

This pension may be granted only to the dependent survivors of those so killed subsequent to January 1, 1956.

The governing body shall make provision in its annual budget for the payment of such pension. The amount may be altered or terminated at any time upon review of the governing body.

99.2 WIDOWS OR CHILDREN OF VOLUNTEER FIREMEN, ETC. —N.J.S.A. 43:28.1 et seq. as amended, provides that the governing body of any municipality served by a volunteer fire company or first aid or rescue squad may, by resolution, provide for the payment of a pension to the widow or minor children of a volunteer fireman or first aid or rescue squad worker who died as a result of injuries sustained in the course of his performance of duty. The pension shall not exceed the sum of $5,000 per year and shall be paid to the widow or to the minor children if he leaves no widow, or to such children after the death of such widow.

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SUPPLEMENTAL VARIABLE ANNUITY

100. INTRODUCTION—On July 1, 1963, Chapter 123, P.L. 1963, established the Supplemental Annuity Collective Trust of New Jersey. This legislation permits active members of the several retirement systems which are administered by the State of New Jersey to make voluntary additional contributions through their retirement systems to purchase variable retirement annuities to supplement the guaranteed benefits which are provided by their basic retirement systems. The program was designed to assist public employees in New Jersey in resolving a problem which most people face after retirement—the decline in the purchasing power of their fixed retirement income.

100.1 DEVELOPMENT OF THE PROGRAM—In the decade 1952-62, New Jersey took several steps to aid its public employees in finding a solution to this problem. The benefit structures of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund were revised from money purchase plans to guaranteed benefit plans which were based on final salaries. A benefit which is based on final salaries, invariably the highest that an employee receives during the entire period of his active employment, provides a retirement benefit that bears a close relationship to final salaries and, to this extent, takes cognizance of the inflation which occurred during the years of his active employment. The 212 local police and fire retirement systems were consolidated in 1953, and substantial additional contributions from local employers and the State have been required to fund the liabilities of this guaranteed benefit program.

In 1955 the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund were coordinated with social security. Coordination, in addition to providing improved benefits for dependents and survivors and permitting life insurance coverage for members of the retirement systems, provided another hedge against inflation. Increases in Federal Social Security benefits accrue to the benefit of the retiring member in addition to the guaranteed benefit of his basic retirement system. Political and economic pressures will undoubtedly lead to further increases in social security benefits, and all members of the coordinated retirement systems will benefit from these increases.

Public employees in New Jersey who retired before coordination of the major retirement system with social security have not been overlooked. On several occasions legislation has provided increased retirement benefits to pensioners. A cost-of-living adjustment was also provided.

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Improvements in retirement programs in the last decade have caused a tremendous increase in the cost of pensions for the State of New Jersey and local employers in the State.

Why do pensions cost so much? Assuming a 6 percent interest rate and, on the basis of mortality tables which are used by the Teachers' Pension and Annuity Fund, $27,500 must be provided for a female teacher who retires at 60 years of age on a benefit of $200 a month for the remainder of her life. This amount clearly illustrates that a very substantial sum is required at retirement in order to provide the retiring member with even a modest retirement income. In order to provide these monies it is necessary that the combined contributions or savings by the employer and the employee must be steady and must be spread over a prolonged period of time. If contributions can be invested in equity securities which may reasonably be expected to appreciate over a long period of time, still less contributions are required to provide the same annuity. On the basis of this consideration the Supplemental Variable Annuity Program was developed for public employees in New Jersey.

100.2 VARIABLE ANNUITY PROGRAM—The legislation which created the Supplemental Annuity Collective Trust provided that public employees could purchase either a variable annuity or a fixed annuity. However, when the Division of Pensions circularized public employees in the State, it found that the great majority preferred a variable annuity to supplement the fixed benefit of their basic retirement system even though the concept of a variable annuity was entirely new to many of them. It was therefore decided to offer only a variable annuity.

There are two phases in the variable annuity program: the pay-in phase (contributions) and the pay-out phase (annuity). A long-range program that covers the working lifetime of a member, as well as his years of retirement, makes the variable annuity program effective and reduces the hazards and uncertainty of investment in equity securities. The investment in common stocks over a long period of time tends to avoid the unfavorable results of short-term fluctuations in the value of equity securities. It permits "dollar averaging" in the purchase of equity securities with more shares being purchased at low prices than at high prices. In the purchase of common stocks for the Supplemental Variable Annuity Program, participants are not "playing the market"; they are dollar averaging.

Each participant should realize, however, that there are risks in the purchase of any variable annuity. Although past experience is our best guide, there is no guarantee that a variable annuity will provide more retirement dollars than would a fixed annuity, even in a period of rising prices. After retirement there will certainly be months and years in which the benefit from the variable annuity will provide less income than it would in some previous months even though the benefit is greater than would have been derived from a fixed annuity. A decline in the monthly

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benefit can be disturbing unless the retired member has prepared himself to accept temporary decreases, as well as increases, in monthly dollar benefits.

All members of the State-administered retirement systems were asked if they wished to enroll in the Supplemental Variable Annuity Program and more than 13,000 public employees indicated that they wanted to participate. The Supplemental Annuity Council determined that the program would be inaugurated on July 1, 1964, and payroll deductions began on that date.

Any member of a State-administered contributory retirement system may enroll in the program as of the beginning of any calendar quarter by submitting a completed enrollment application form through his employer to the Division of Pensions at least 30 days prior to the effective date.

101. ADMINISTRATIVE PROCEDURES FOR THE SUPPLEMENTAL VARIABLE ANNUITY PROGRAM—The following describes the plan available to all eligible members. 105-109 describe the tax-sheltered annuity approach available only to certain members.

101.1 ELIGIBILITY—Any active member of the following retirement systems may enroll in the program at the beginning of any calendar quarter: Public Employees' Retirement System, Teachers' Pension and Annuity Fund, Police and Firemen's Retirement System, Consolidated Police and Firemen's Pension Fund, Prison Officers' Pension Fund, and the State Police Retirement System.

101.2 ADMINISTRATION—A council consisting of the State Treasurer, the Commissioner of Insurance, and the State Budget Director is responsible for the control and management of the Supplemental Variable Annuity Program. The Attorney General is the legal advisor, and an independent actuary will periodically review its operations. All costs of administration will be borne by the State of New Jersey. The records of the program will be audited by the Department of Insurance and the State Auditor. The Director of Pensions is the secretary of the Council, and the administrative work is performed by the Division of Pensions.

101.3 INVESTMENTS—Contributions to the Supplemental Variable Annuity are invested principally in common stocks and other equity securities. Income, including gains or losses on the sale of securities and increases or decreases in the market value of investments, will be distributed to all participants and annuitants at least once each calendar quarter. The State Investment Council through the Division of Investment of the State of New Jersey will recommend the purchase or sale of securities for approval by the council.

101.4 ENROLLMENT—

a. Any member of a State-administered contributory retirement

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system may enroll in the program at any time by completing a Supplemental Annuity enrollment application form. Enrollment will be effective only at the beginning of a calendar quarter except:

1. 10-month employees of boards of education may enroll as of September 1, at the beginning of the school term.

2. New members of a State retirement system may enroll in the Supplemental Variable Annuity on their date of enrollment in the retirement system.

b. If employees wish to enroll in the program, employers should promptly send the completed enrollment applications to the Supplemental Annuity Program in the Division of Pensions. No employer shall begin payroll deductions for the program for any employee until the employer has received a Certification of Deductions for the program from the Division of Pensions.

102.1 CONTRIBUTIONS—

a. Participants may contribute 1 to 10 percent of base salary through payroll deductions; in order to facilitate administration no fractional percentage of salary will be certified.

b. Contributions shall be in full dollar amounts (no cents) per calendar quarter, rounded to the nearest dollar ($0.50 and over rounded to the next higher dollar).

c. Contributions will be calculated on the base salary on which pension contributions are determined.

d. Participants may discontinue contributions or alter their percentage of contributions to the Supplemental Variable Annuity Program as of the beginning of any calendar quarter. If the employee wishes to effect either of these changes, he should complete the Application for Change of Contribution Rate form and submit it to the Division of Pensions through his employer at least 30 days prior to the start of the quarter. No employer is authorized to make any change in percentage of contributions or to discontinue contributions for any member until he has received a certification to that effect from the Division.

e. A participant who has authorized payroll deductions may also make lump sum contributions in the third month of a calendar quarter by direct payment on a Personal Contributions form in full dollar amounts of not less than $50. However, no participant may contribute more than 10 percent of his base salary by payroll deductions and lump sum payments combined, in any one fiscal year (July 1 to June 30).

f. Contributions to the Supplemental Variable Annuity Program will cease at retirement, death, or on termination of membership in a State retirement program; for this purpose, the term "retirement" includes all types of retirement including service, early, deferred, and disability retirement. An inactive member of a retirement system will remain in the Supplemental Annuity Program as an inactive member,

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but he may not make contributions to the program during the inactive period.

102.2 REMITTANCE AND REPORTING OF CONTRIBUTIONS

a. Employers will remit contributions monthly to the Division of Pensions on the Monthly Transmittal of Contributions form for the 3 months of each calendar quarter. Remittances should be made payable to the retirement system, Supplemental Annuity (for example, "Public Employees' Retirement System, Supplemental Annuity,") and are due in the Division of Pensions by the 15th of the following month, e.g. payroll deductions in January are due February 15, along with all other pension deductions.

b. Quarterly contributions will be projected in a column on the Quarterly Report of Contributions. The Quarterly Report will indicate the percentage rate for the appropriate individuals and also the projected quarterly dollar contributions based on the application of the percentage rate to the quarterly base salary. Contributions for the third month of each calendar quarter will be remitted with the Monthly Transmittal of Contributions form and the Quarterly Report of Contributions. Employers are asked to reconcile the amount of all remittances for the quarter with the total Supplemental Annuity contributions shown on the Quarterly Report of Contributions, as they do for all other pension deductions.

103. ANNUAL STATEMENT TO PARTICIPANTS—Each participant in the Supplemental Variable Annuity Program will receive an annual statement of his accumulation account during active membership showing:

a. The total dollar amount of his contributions to the program for the current year and the entire period of his participation.

b. The value of his account as of the date of the statement. This amount will reflect his share of income including gains or losses and appreciation or depreciation in the market value of the underlying assets of the program to the date of the statement.

c. The total number of equity units credited to his accumulation account.

104.1 RETIREMENT—

a. At retirement a participant shall be paid a variable life annuity unless he files a written application prior to retirement requesting one of the following:

1. A single cash payment of the value of his account at the close of the month of retirement, or

2. The actuarial equivalent as a lesser annuity for life with the provision that:

(a) In the event of the death of the retirant prior to the expiration of 5 years from the effective date of the annuity, the

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annuity will be continued to a designated beneficiary for the remainder of the 5-year period.

(b) Same as (a) above except for 10 years from effective date of annuity.

(c) Upon the death of the retirant the same variable annuity shall be paid, for life, to such person as shall be nominated by written designation duly acknowledged and filed with the council at the time of his retirement.

(d) Same as (c) above except beneficiary will receive one-half of retirant's variable annuity.

104.2 DEATH BEFORE RETIREMENT—

a. If a participant dies before retirement, a lump sum payment equal to the value of his account on the last day of the month of his death will be paid to his designated beneficiary or to his estate if his beneficiary predeceased him or if he did not name a specific beneficiary.

b. However, if the participant's designated beneficiary is a natural person, the beneficiary may elect, in lieu of a lump sum payment, an annuity under any of the methods of settlement which a retirant would be eligible to receive as detailed above.

c. The primary and contingent beneficiary of active participants in the Supplemental Variable Annuity Program shall be the same as were designated for the return of accumulated contributions in the basic retirement system unless otherwise specifically designated. In those retirement systems which do not provide the return of accumulated contributions on the death of a member, a participant in the Supplemental Annuity Program should designate a primary and contingent beneficiary on a Designation of Beneficiary form for this purpose. This same form should be used if a change in beneficiary is desired.

d. A separate application for death benefits must be filed by a beneficiary on the death of a participant for Supplemental Variable Annuity benefits.

104.3 WITHDRAWAL—

a. Withdrawal is not permitted unless:

1. Membership in the basic State-administered retirement system is terminated, or

2. The participant's account is less than $100.

b. Upon withdrawal from a basic State retirement system, withdrawal from the Supplemental Variable Annuity Program is required.

c. The amount paid on withdrawal is the value of the participant's account as of the end of the month of termination.

If a participant's account in his basic retirement system is terminated and placed in suspense, the value of his account in the Supplemen-

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tal Annuity Collective Trust shall be determined as of the close of the month in which his account in the basic retirement system was terminated, and he shall no longer participate in earnings or losses.

105. TAX-SHELTERED ANNUITIES—Chapter 90, P.L. 1965, amended Chapter 123, P.L. 1963, in order to make the benefits of Section 403 (b) of the Internal Revenue Code available to eligible public employees in New Jersey. Under these laws the employee enters into a salary-reduction agreement with his employer, and the employer agrees to send the amount of the reduction to the Supplemental Annuity Collective Trust for the purchase of a variable annuity. Income tax is paid only on the reduced salary and the funds accumulated under the tax-sheltered plan are free of tax. When the funds are withdrawn after retirement in the form of an annuity or lump sum, or before retirement due to termination of employment, they are subject to taxation as ordinary income. The New Jersey Gross Income Tax law does not afford a similar tax-sheltered benefit, and the tax must be paid on gross salary. The Social Security Administration requires that for social security (F.I.C.A.) purposes, the full salary, before reduction, is to be reported for its tax and benefits. The Attorney General has held that the provisions of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System would be unaffected by any salary-reduction agreement for a tax-sheltered annuity. Thus, for pension and insurance purposes, base or contractual salary will be reported and employed for benefits regardless of the salary to be reported for income tax.

106. ELIGIBLE EMPLOYEES—Employees of public educational institutions who are members of the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System are eligible. The list of qualifying employees includes, for example, the superintendent of schools, principal, teacher, janitor, secretary, matron, clerk, maintenance man, etc. Also eligible are employees performing services which indirectly involve a public educational program. This would include employees of the State Departments of Higher Education and Education, and the staff of the State and county colleges and schools. Elected officials are not eligible to participate.

107.1 SALARY REDUCTION AGREEMENTS—Salary-reduction agreements must be in the form provided by the Supplemental Annuity Collective Trust and must remain in effect for at least 1 year. The rate of salary reduction shall be stated as a percentage of base salary of from 1 to 10 percent; no fractional percentage will be permitted and the actual reduction shall be in even dollar amounts, rounded to the nearest dollar. The sum of the amounts by which the employee's salary is reduced constitutes the amount which is excluded from income. This must be within the exclusion allowance. Both the employer and the member should keep a copy of the salary-reduction agreement. It is not to be sent to the Division of Pensions.

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107.2 EXCLUSION ALLOWANCE AND WORKSHEET—Section 403(b) of the Federal Internal Revenue Code provides alternative definitions of the exclusion allowance. The 10 percent maximum provided under the Variable Annuity Program will permit most eligible employees to take full advantage of the Tax-Sheltered Annuity Plan without subjecting themselves to additional Federal Income Tax. Practically everyone who is eligible will qualify for up to the maximum 10 percent reduction for their first year in the program.

The maximum exclusion allowance will vary each year due to changes in salaries, the accumulative effect of salary reductions, and employer contributions of prior years. Therefore, a new worksheet must be prepared for each calendar year during which a salary-reduction agreement is in effect. In order to assure that the exclusion allowance is not exceeded, a standard worksheet will be provided to the member by the Division of Pensions and the member will be able to make his own calculation. A description of the items appearing on the worksheet follows:

A. Annual Salary—This is not the salary for the school year, but is the contractual or base salary for the calendar year. Since salaries change with the beginning of school in July for 12-month employees and in September for 10-month employees, the salaries for the calendar year may reflect salaries at one rate for 6 months and at another rate for the remaining 4 or 6 months of the calendar year.

B. Years of Service—This can be obtained from the annual statement issued to the member by the Division of Pensions.

C. Annual Employer's Contribution—After the first year this will be provided annually to the member by the Division of Pensions. A normal salary increment is assumed in the determination of this figure.

D. Salary Reduction—The percentage of salary reduction agreed upon by the employee and employer is applied to the annual salary as determined in A. As previously indicated, 10 percent is the maximum permitted.

Items 1 through 9—The steps indicated in these items should then be completed. In most cases the exclusion allowance will be more than sufficient to permit up to the 10 percent salary reduction. If this is not the case, then the percentage of salary reduction should be decreased and the worksheet recalculated until item D is less than item 9. If this recalculation is not made, the amount by which item 9 exceeds item D must be included in the employee's income tax return as taxable income.

107.3 ENROLLMENT—After the eligible member has entered into an agreement with his employer, he must complete the enrollment application. The employer must complete part II, Certification of Employing Agency, and forward the application to the Division of Pensions, Supplemental Annuity Program. The salary reduction shall commence at the beginning of the calendar quarter, except:

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a. 10-month employees of boards of education may enroll as of September 1.

b. New employees may enroll at the time of enrollment in the basic retirement system.

107.4 CHANGES IN RATE OF SALARY REDUCTION—Changes in the rate of salary reduction may be made after the first year by entering into a new agreement with the employer as of the start of a calendar quarter, and the revised agreement must be continued in force for at least 1 year before further changes may be made. Notice of the change shall be filed with the program at least 30 days prior to the effective date on a Notice of Change in Salary-Reduction Agreement form.

107.5 REMITTANCES AND REPORTING OF SALARY REDUCTIONS—

A. Employers will remit the salary reductions of their employees to the program no later than the 15th of the month following the month in which the reductions were made on a Monthly Transmittal of Contributions form for the first 2 months of each calendar quarter. Remittances for the third month of each quarter will be remitted with the Monthly Transmittal of Contributions form along with the Quarterly Report of Contributions. The checks should be made payable to "Supplemental Annuity Collective Trust, Tax-Sheltered."

B. Quarterly reductions will be projected as a second line item in the Supplemental Annuity column, column 18 of the Quarterly Report of Contributions form. The percentage rate will also be shown, and in the "Remarks" column the words "Tax-Sheltered" will appear. Employers are asked to reconcile the amount of all remittances for the quarter with the total Tax-Sheltered Annuity contributions shown on the Quarterly Report of Contributions, as they do for all other pension deductions. If the employer has members in both the tax-sheltered and the nontax-sheltered programs, he will note that there are separate sections for each program on the Quarterly Report of Contributions form.

107.6 RECORDS TO BE MAINTAINED—The member is required by law to maintain such records as will enable him to prepare a complete and accurate income tax return and such records should be retained as long as their content may be material. Copies of the salary-reduction agreements, annual worksheets, statements from the Supplemental Annuity Collective Trust, enrollment, and other certifications should be kept. These records must demonstrate that the salary reduction is within the exclusion allowance, and if it is not, that the difference has been included in the gross income subject to income tax.

107.7 ANNUAL STATEMENT TO PARTICIPANTS—This statement will be similar to that described in 103.

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108. RETIREMENT, DEATH BEFORE RETIREMENT AND WITHDRAWAL—These provisions are similar to those discussed in 104.1-104.3.

In the event the member is also participating in the nontax-sheltered Variable Annuity program, both amounts will be combined in one benefit.

109. OTHER TAX-SHELTERED ANNUITY PLANS—In addition to the tax-sheltered annuity which may be obtained by participation in the Supplemental Annuity Collective Trust, described in 105-108, boards of education are permitted to enter into salary-reduction agreements with employees for the purchase of a tax-sheltered annuity. Such annuity may be purchased by means of an individual or group annuity contract. However, the total amount of the reduction in the employees's salary in any calendar year cannot exceed the limitations provided in the Federal Internal Revenue Code.

Provisions of the general statute can be found in N.J.S.A. 18A:66-127 et seq.

109.1 DEFERRED COMPENSATION PLANS, COUNTIES AND MUNICIPALITIES—Unrelated to any State-administered program are deferred compensation plans which may be adopted by counties and municipalities under terms of Chapter 381, P.L. 1977. This legislation permits such government to enter into written agreements with its employees for a voluntary deferral of salary. Pursuant to such arrangement the employer will establish a deferred salary account and invest the proceeds towards a deferred compensation plan, either self-insured or, at the election of the participant, in a group annuity contract, a trust arrangement with a national nonprofit organization, or with any other arrangement for the proper investment of the funds. The amount of such deferral shall be determined by the agreement, subject to any limitation which the employer may establish, as long as the plan is consistent with the requirements of the Internal Revenue Code. The monies, which are deferred and deducted in accordance with the provisions of the legislation, remain as assets of the employer and are to be invested. No participating employee or beneficiary has the right to commute, sell, or otherwise convey his rights as such are unassignable. The amount of the employee's salary which is deferred is to be included as regular compensation for all purposes, including pension benefits, but in order to achieve the objective, the salary shall not be included in the computation of any Federal withholding taxes (but is subject to social security and the New Jersey Gross Income Tax). Any participant who changes employment may transfer credit from the plan, provided a similar plan of the new employer permits such transfer. No agreement can be entered into until the plan has been approved by the Internal Revenue Service.

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STATE HEALTH BENEFITS PROGRAM

110. INTRODUCTION—Prior to 1961, employees of the State could authorize payroll deductions for voluntary participation in hospitalization and medical-surgical plans. Effective October 1, 1961, Chapter 49 of the Laws of 1961 established a State program of health benefits providing the first experience-rated program underwritten by service plans in New Jersey as well as a major medical program.

Under the statute the State Health Benefits Commission, composed of the State Treasurer, the Commissioner of the Department of Insurance, and the President of the Civil Service Commission, was authorized to solicit bids and award contracts for hospitalization, medical-surgical, and major medical insurance benefits, with the cost to be incurred by the State for employee coverage. Optional coverage for dependents was to be provided at the employee's expense. Each enrolled employee received certificates outlining the benefits provided in the master contracts underwritten by the several carriers.

110.1 EXTENSION TO ALL PUBLIC EMPLOYERS—The liberal benefit provisions, the employer's participation in paying for employee costs, and experience rating attracted both public employers and employees in New Jersey to seek the extension of the State plan to employees of all public employers in the State. Employers were particularly interested in establishing a uniform program of health benefits, whose administration would remove the consideration of the award of the plan, the payment of a commission, and the approval or disapproval of benefits in individual cases, from the realm of political patronage and influence. The major employee organizations were likewise interested in a uniform health insurance program for all employees so that employees could freely transfer from one covered employer to another without the loss of protection, while it was also recognized that it was virtually impossible for many public employers, with few employees, to obtain a comprehensive health benefit program at a reasonable cost.

Effective July 1, 1964, Chapter 125 of the Laws of 1964 amended the State Health Benefits Plan to permit coverage for local public employees at the option of each public employer. The Division of Pensions, which was assigned the responsibility of administering the program, worked extensively with the insurance carriers in developing administrative procedures and, on March 1, 1965, the initial local employers began participation in the New Jersey State Health Benefits Program. Nearly

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1,000 public employers—municipalities, counties, boards of education and public agencies—have extended coverage to their employees.

110.2 HEALTH MAINTENANCE ORGANIZATIONS—With the expectation that an alternative health delivery system could provide better care at reduced costs, a Federal law prescribes that every employer must provide his employees with a dual choice—a choice between a traditional and an HMO program if such alternative is available to the employee who may reside in the service area. State law, Chapter 337, P.L. 1973, permits the enrollment of State and local government employees in such plans, including organizations which have not necessarily been qualified by the Federal Government but who have been qualified by the State Health Department and whose rates have been approved by the State Insurance Department. The State Health Benefits Commission has issued criteria pertaining to the different types of HMO's as they have applied for participation in the program. The first two such plans were approved in 1975. The regulations concerning enrollment, continuation, and termination of coverage are essentially the same as in the traditional program except where denoted herein. Special booklets are issued and will be used in the educational campaign conducted by the HMO in marketing. These booklets detail the specifics of the plan in the same manner as the usual booklets describe the benefits of the traditional program. The State Health Benefits Commission requires each HMO to include a supplemental benefit comparable to the major medical provisions of the traditional program, and this serves as an umbrella for most expenses which are not otherwise covered by the HMO schedule.

Since the number of individuals who may be covered by such organizations is limited by the number of HMO's currently in operation and by the expected reluctance of many employees to alter their health care requiring a change in family physician, it would be provident to detail the benefit and contribution schedules appropriate to each organization. Essentially the HMO provides employees with a wider range of preventive health care than is normally covered by the traditional program and as a result contemplates less hospitalization and greater use of out patient facilities. In addition to a prepaid fixed monthly premium, the employee or his dependent may be required to pay a small charge when visiting the HMO facility. In addition to medical services, provision is made for hospital, skilled nursing, and home health care treatment.

While there are many differences, we believe we should indicate four distinct ones which are amplified in the procedural aspects herein:

a Service Area—The organization can enroll eligible employees and their dependents in the area it serves, but there are limitations as to services rendered for occasions when treatment is provided out-of-area and provision must be made for individuals who move out-of-area.

b Physicians—The organization contracts with a group of physi-

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cians who are paid on a salary, capitation, or fee-for-service basis depending on the type of HMO it may be and the arrangement it may have with full-time and part-time practitioners. The employee must use these physicians.

c Medicare—Only those employees and their dependents who are not eligible for Medicare may be enrolled at the present time. Those members who are covered by Medicare or who have reached age 65 may be allowed to make arrangements to continue to use the plan on a fee-for-service basis, and they and anyone else always have the opportunity to transfer from an HMO plan to the traditional program at the annual enrollment period. Of course, the same applies to retired employees except that there is no annual enrollment period, and as such, the retired employee who was participating in the plan at the time he retired may be able to arrange to use the plan on a fee-for-service basis but will not be able to transfer to the traditional program once he has indeed retired. This problem for Medicare eligibles may be altered as a result of agreements between the HMO and the Federal Social Security Administration permitting the continuation of coverage for such employees or their dependents on a more regular basis.

d Contributions—In addition to the copayment the employee or dependent may have to pay when receiving services from the HMO or HMO provider, an additional premium may be necessary where the cost of a particular type of coverage for a specific HMO plan is beyond the cost that the employer or the employee pays for coverage in the traditional program.

110.3 ELEMENTS OF THE STATE HEALTH BENEFITS PROGRAM—There are four elements of the traditional program as follows:

a. Basic and extended hospital benefits.

b. Basic and extended medical-surgical benefits.

c. Major medical benefits.

d. Complementary coverage provided for active and retired employees and their dependents who are covered by both Parts A and B of the Federal Medicare Program.

110.31 BASIC AND EXTENDED HOSPITAL BENEFITS—The basic hospital plan offers subscribers "service benefits;" comprehensive care and treatment is provided, not cash indemnity. The basic plan gives optimum protection for the average person who simply could not forsee the exact financial requirements of hospital care. An illness or accident is usually unexpected, and each case requires different care and treatment. The basic plan relates to all the other Blue Cross plans throughout the United States, and each of these plans is linked through a National Association which processes claims for eligible subscribers wherever they may be.

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110.32 BASIC AND EXTENDED MEDICAL-SURGICAL BENEFITS—Basic medical-surgical and obstetrical benefits are for eligible services rendered by fully licensed physicians, doctors of podiatry, and doctors of dental surgery. Under this plan thousands of physicians and laboratory directors have signed agreements with the service company to extend service benefits in qualified cases.

The service benefits provision means that a participating doctor accepts the plan's allowance for eligible service as full-payment when the subscriber's income is within a specified limit. The annual limit is $12,000, counting the income of employee and spouse, if any, unless the employee is single and has no dependents eligible for coverage, in which event the annual limit is $7,500.

For subscribers whose incomes do not qualify them for service benefits, or who receive services from a non-participating doctor, the plan's allowance represents a substantial portion of the doctor's total charges. The balance in such cases is the responsibility of the patient. Allowances are governed by a schedule of maximum payments and are the same for services by an eligible doctor, regardless of the subscriber's income.

The schedule covers more than 2,000 procedures which are eligible when rendered in a doctor's office or hospital outpatient department, as well as to a hospital inpatient.

110.4 BASIC PLAN EXCLUSIONS—To assure proper use of the basic plan benefits, certain exclusions are necessary. Certain services and supplies which are not covered under the basic plan are eligible under the major medical insurance. Under the basic hospital, surgical, medical plan no benefits are provided, for example, for hospital, nursing home, or home care services primarily for bed rest, rest cure, custodial, or sanitarian care and diet therapy, services related to sickness, disease, or injury occurring during military service, or which is compensable under any Worker's Compensation or similar law, ambulance service, private duty nursing, plastic surgery for cosmetic purposes, and a number of other specific services as indicated in the literature describing the program.

110.5 MAJOR MEDICAL BENEFITS—The hospital benefits and medical-surgical benefits are considered the basic plan. However, in the case of medical expenses there are often situations which require additional protection. The major medical plan provides such extra protection and is in addition to the basic plan.

110.51 ADVANTAGES—Major medical benefits are paid even though there is no hospital confinement. The plan covers most reasonable and customary medical expenses incurred under a doctor's care outside the hospital. For example, arthritis, heart conditions, and malignancies can

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be treated at home. The expenses for these and many other conditions are considered for major medical benefits.

Total disability is not required under major medical. An adult does not need to miss a day of work or a child be absent from school. Major medical benefits are payable for such nondisabling conditions as diabetes, asthma, and hypertension, for example, and there are many others.

Major medical covers private duty nursing, in or out of the hospital. The service must be performed by a registered graduate nurse other than one who ordinarily resides in the person's home or who is a member of the family.

Expenses in connection with mental illnesses and functional nervous disorders are eligible for major medical benefits when there is a hospital stay for which a room and board charge is made. Limited benefits are available for such expenses incurred in a hospital when there is no room and board charge, or outside the hospital. Limited benefits are also payable for professional psychiatric services.

110.52 **THE TWO FUNDAMENTALS OF MAJOR MEDICAL**—To understand how major medical works, it is necessary to understand only two fundamentals of the plan.

a. DEDUCTIBLE—The deductible in major medical is similar to the deductible in automobile collison insurance. It is the amount of eligible expenses the employee pays before major medical benefits begin. The deductible is the first $100 of eligible expenses incurred by an employee or a dependent during a calendar year, not counting expenses payable under the basic plan, or Parts A and B of the Federal Medicare Program. When an employee covers dependents, it is important to remember that there are two $100 deductibles: one for the employee and one for a covered dependent. These four features of the deductible are important:

1. For purposes of local employer coverage, all eligible charges incurred by an eligible employee or his covered dependents, from January 1 of a calendar year to the effective date of coverage for his participating employer, will be considered to satisfy the $100 deductible required under the major medical coverage. The above provision is contingent upon the eligible employee being actively at work on the effective date of coverage and his dependents being able to satisfy the normal activities test required by the contract.

The charges considered are to be eligible charges under the major medical contract, and no charges will be considered that would have been paid by the basic plan had the employee had such coverage. No charges will be used to satisfy the deductible for which the employee has been reimbursed by any source where the employer participated under another contract.

2. It is necessary for one person to satisfy the deductible only

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once during a calendar year; once a covered dependent has satisfied the deductible, benefits will be paid the rest of the year for all other qualified dependents without additional deductibles.

3. Any eligible expenses incurred during October, November, and December by the employee or one dependent which are applied against the year's deductible (whether or not the full deductible was accumulated for the year) may be carried over and applied against the deductible for the next calendar year for the employee or same dependent.

4. If two or more insured members of a family are injured in the same accident, only one $100 deductible needs to be satisfied each year for their combined expenses due to the accident.

b. COINSURANCE—After the deductible has been satisfied, major medical pays 80 percent and the employee pays 20 percent of the remaining eligible expenses up to the first $2,000 of charges. Thereafter, major medical pays 100 percent of the remaining eligible expenses subject to the maximums and to the other terms and conditions authorized by the New Jersey State Health Benefits Program.

An expense will be considered to be incurred on the date the service or treatment is given or the purchase is made, rather than on the date the bill is received.

110.6 MAJOR MEDICAL EXCLUSIONS—The plan does not cover services or supplies if they are provided under any other program for which an employer pays the cost or makes payroll deductions such as a separate prescription drug plan, or under any government plan or law for which the individual is or could be covered, or under full Medicare coverage if the individual satisfies the requirements for eligibility under Medicare. It does not cover services or supplies which would have been provided if the subscriber was covered under the major medical plan of his employer immediately prior to becoming covered under the State Health Benefits Program. It also does not cover anything not ordered by a physician, or unnecessary for medical care, expenses incurred during confinement in a government hospital, cosmetic surgery, eye refractions, fitting of glasses or hearing aids, and a number of other services or supplies which are denoted in the literature describing the program.

110.61 MAJOR MEDICAL MAXIMUM—Major medical insurance will pay as much as $100,000 for the employee and $100,000 for each covered dependent for all causes combined. During any one calendar year, the maximum for each person is $25,000.

110.62 MAXIMUM, AUTOMATIC RESTORATION—On the first of each year, each covered person who then has benefits charged to his overall maximum will automatically have an amount restored for future use. The amount to be restored each year will be $2,000, or the amount needed to bring the maximum back to the full amount, whichever is less.

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In no event, however, may the sum of all amounts restored automatically to an individual's maximum exceed $100,000. This, in effect, gives every employee and insured dependent a possible major medical lifetime benefit of $200,000.

110.63 MAXIMUM, REQUEST FOR RESTORATION—In the event that more than $2,000 of benefits become payable to an individual, his full lifetime individual maximum may be restored by furnishing satisfactory evidence of insurability without any charge to the insurance carrier.

110.64 MAXIMUM, RETIRED EMPLOYEES AND THEIR DEPENDENTS—In the case of retired employees or their dependents, the maximum lifetime benefit at the time of retirement will be the lesser of $20,000 or the amount remaining as a lifetime maximum at the time of the employee's retirement. In no event shall the lifetime maximum be less than $5,000. The $2,000 in benefits is not restored for an employee or his dependent during retirement.

110.65 EXTENSION OF MAJOR MEDICAL BENEFITS—Under certain circumstances major medical benefits will be available for a limited period after the termination of insurance if the employee or a covered dependent is totally disabled when the insurance terminates. This extension of benefits will apply only to expenses due to the sickness or injury which caused the total disability.

110.7 COMPLEMENTARY MEDICARE BENEFITS—The benefits under the State Health Benefits Program cannot duplicate benefits provided under the Federal Medicare Program. The complementary coverage provided for active and retired employees and their dependents who are covered by both Parts A and B of the Federal Medicare Program are the same benefits provided to employees excluding any eligible charges which are covered by the Federal Medicare Program. As an example, the Federal Medicare Program does not cover private duty nursing care, whereas the major medical benefits under the program do include these services as eligible charges.

There is a separate booklet describing the effect of Federal Medicare for employees and dependents as it would apply to:

a. services for a hospital inpatient,
b. services for a hospital outpatient,
c. physician services eligible outside of hospital,
d. drugs (outside of hospital),
e. nursing home care,
f. private duty nursing,
g. home health care, and
h. dental services.

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110.8 **COORDINATION OF BENEFITS**—The purpose of health care insurance is to help meet actual expenses. In line with that purpose the State program contains nonprofit provisions coordinating them with other group plans under which an individual is covered so that the total benefits available will not exceed 100 percent of the allowable expenses. No plan pays more than it would without the coordination provision. A plan without a coordinating provision is always the primary plan. If all plans have such a provision: (1) the plan covering the patient directly, rather than as an employee's dependent, is primary and the others secondary; (2) if a child is covered under both parents' plans, the father's is primary, except that when a father and mother are separated or divorced, the plan of the parent who has in fact, assumed financial responsibility for the child is primary; (3) if neither (1) nor (2) applies the plan covering the patient longest is primary.

111. **ELIGIBLE EMPLOYEES**—For purposes of local coverage, "employee" shall mean an appointive or elective officer receiving a salary or full-time employee of the local employer. This includes an employee who is compensated on a fee basis as a convenient method of payment of wages or salary, but who is not a self-employed, independent contractor compensated in a like manner.

For purposes of State coverage, "employee" shall mean:

An appointive or elective officer or full-time employee of the State, including employees of:

a. Rutgers, the State University of New Jersey,

b. Palisades Interstate Park Commission,

c. Delaware River Joint Toll Bridge Commission (Free Bridges),

d. New Jersey Institute of Technology,

e. New Jersey College of Medicine and Dentistry, and

f. Agencies or special projects which are supported from, or whose employees are paid from, sources of revenue other than general funds, which other funds shall bear the cost of benefits under this program.

While an employee may elect participation for himself and his dependents through two or more participating employers, or through the same employer if the husband and wife are both eligible employees, in no event will benefits be duplicated. Also, no one may be covered under the major medical plan if he does not have coverage under the basic plan.

All employees and all dependents covered by the State Health Benefits Program who attain age 65, or who are otherwise eligible for Medicare coverage because of disability, chronic kidney disease, etc., must be covered under Parts A and B of the Federal Medicare Program in order to be eligible to continue their coverage in the State Health Benefits Plan. Employees and dependents enrolled in an HMO plan are not eligible to continue in such a program when they become eligible for

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Medicare enrollment except on a fee-for-service basis, which means that the employee or dependent would be required to pay for all services rendered by the HMO.

111.1 **FULL-TIME EMPLOYEES**—For purposes of local coverage, "full-time" shall mean employment of any eligible employee who appears on a regular payroll and who receives a salary or wages for a minimum of 20 hours per week.

For purposes of State coverage, "full-time" shall mean the normal full-time weekly schedule for the particular title, which normally requires 35 hours per week.

For purposes of State and local coverage, it shall also mean sabbaticals where the compensation paid is 50 percent or more of the salary granted just prior to the leave and the period of eligibility terminates with the end of the fiscal year.

For purposes of State and local coverage, "full-time" shall mean employment of any employees who hold multiple public positions at the same time, if the employee would otherwise be eligible for coverage in any one of such positions.

It also means employment for 12 months, except in the case of those employees engaged in activities where the regular and normal work schedule is 10 months.

111.2 **ELIGIBLE DEPENDENTS**—An employee's eligible dependents include his or her spouse, unless legally separated. Also included are dependent children until the end of the calendar year in which they attain age 23 provided they are unmarried and living with the employee in a regular parent-child relationship. Stepchildren, foster children, and legally adopted children may be included as the employee's children, provided they are wholly dependent upon the employee for support and maintenance and are reported for coverage. This includes children in a guardian-ward, legal relationship who are living with the employee.

A child who, because of mental retardation or physical handicap, is incapable of self-support at the end of the calendar year in which he attains age 23, may be continued under the program while remaining incapacitated and unmarried, subject to the continuance of the employee's coverage under the plan. Proof of incapacity must be received by the Division of Pensions within 31 days after coverage would otherwise terminate. Additional proof will be requred from time to time.

In situations where the relationship between the employee and children is unclear, such children can be covered if the member applies for Parent-Child coverage, while they can be covered by the father if there is a court order establishing the relationship of such children to the father and directing that he maintain their support. Naturally, such children will have to meet all other qualifications for the coverage of children.

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An employee who elects to enroll an eligible dependent for any coverage shall report such dependent's relationship or status on the enrollment form, and such listing of the dependent shall constitute the required certification that at the time of enrollment such dependent is wholly dependent upon the employee for support and maintenance. Such certification will not be complete if the dependent is confined in an institution or cannot satisfy the normal activities test of an individual of the same sex or age.

If, after having enrolled his dependents for coverage under Family or Parent-Child coverage, an employee acquires one or more additional dependent children through birth, legal adoption, and guardianship, such additional children shall be automatically enrolled as dependents, if they are otherwise eligible. However, employees enrolled in an HMO plan must complete a new HMO enrollment application for each additional child at birth, adoption, or guardianship.

The "living with" provisions of the statute will be satisfied if a covered employee enrolls his child who is actually living with another parent following a divorce, if the covered employee is required by a court order to provide for the support and maintenance of such child and a copy of such court order is filed with the Division of Pensions at the time that the request for coverage is made or when a request is made for the continuance of such coverage. The "living with" provisions will also be satisfied while the child is away at prep school or college as long as his permanent domicile is with the covered parent upon whom he is dependent for support and maintenance.

Any person who is otherwise eligible for benefits as a dependent of an active or retired employee, but who although he is eligible to enroll in the Federal Medicare Program, is not covered by the complete Federal program, would not be covered as a dependent.

For benefit purposes, an employee may be considered either as an employee or a dependent, but not both. (See section 112.4.)

111.3 REFUNDS, LOCAL COVERAGE—If both an employee and his spouse are covered in their employment by one or more participating employers and desire Family or Husband-Wife coverage, then one employee should request such coverage, and the other should sign an enrollment card for Single coverage. If one employee has Family or Husband-Wife coverage and he is required to pay the full cost of dependent coverage, then a claim for refund may be requested semi-annually for the cost of single employee coverage for which premiums are being remitted by the employer of the spouse. This refund can be given only if the spouse is also covered by a participating employer and has filed an enrollment card for Single coverage.

111.4 REFUNDS, STATE AND LOCAL COVERAGE—Where a husband and wife have secured coverage in the Health Benefits Program as

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a result of one of them being employed by the State and the other by a local employer who has adopted the program, a refund is possible in the case of an employee of a local employer when such employee is paying the full cost of dependent coverage for a spouse, who is an employee of the State and eligible for coverage but who has rejected such coverage.

111.5 REFUNDS DENIED—Any refund not described explicitly as within the scope of possible refund would therefore be denied. For example, a husband and wife may be employed in the same or in different locations, each location participating in the State Health Benefits Program and both having Family coverage or both having Husband-Wife coverage. In spite of the apparent duplication of coverage, neither of the covered employees would be eligible for a refund.

111.6 MEDICARE REFUNDS—All active employees and their spouses who are covered under Part B of the Federal Medicare program shall receive a refund of the basic amount paid for timely enrollment in Part B semiannually. All refunds for subgroups of the State are accomplished with the preparation and submission to the Health Benefits Bureau of a Claim for Refund form duly signed by the employee claiming the refund as verified from the records of the program. The State Centralized Payroll Unit will process similar claims for refunds by State employees paid by that agency. The local employer is responsible for refunds to any of his active employees, as well as the employee's spouse, who are covered under Part B of the Federal Medicare Program. All refunds will be made payable to the employee. Eligibility for Medicare Part B premium reimbursement will begin on the same date that the conversion to Medicare coverage in the program became effective.

Similar reimbursement will be made by State and local employers who have adopted the necessary resolution to eligible retired employees, for themselves and their spouses, but in no event shall duplicate refunds be made to any retired employee for himself or his spouse.

112. COVERAGE OF EMPLOYEES AND DEPENDENTS—Each eligible employee shall be eligible to enroll for coverage in the program without cost to the employee unless required by his enrollment in an HMO; and each employee's eligible dependents shall be eligible for enrollment provided that the additional premiums for such coverage shall be paid by the employee as such premium may be required by the State or local employer, or as a result of enrollment in an HMO.

When the employee elects to be enrolled together with his eligible dependents, the selection of the type of contract should be governed by the qualified dependents listed. As an example, the selection of family contract requires that the employee list a spouse and at least one dependent child. If the employee has only a dependent spouse, his selection of coverage should be for husband and wife contract. Similarly, election of parent and child coverage must include at least one dependent child.

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An employee who elects to be covered shall automatically be covered for basic and major benefits. Such employee may elect to cover his dependents for basic and major medical benefits but may not cover his dependents for major medical benefits alone.

112.1 **WHEN FIRST ELIGIBLE**—At the time each employee first becomes eligible for coverage, the employee shall complete a form constituting written notice of the employee's election to enroll or not enroll for coverage on his own behalf and the employee's election to enroll or not enroll his dependents.

112.2 **ANNUAL ENROLLMENT PERIODS**—Any employee who shall elect not to enroll for coverage for himself or for his dependents at the time such employee or dependent first becomes eligible for coverage shall subsequently be permitted to enroll himself and his dependents only during the annual enrollment period, which, in the case of State coverage, is the month of February of each year with coverage effective for the first coverage period in May, and which, in the case of local coverage, is the month of January, with coverage effective May 1.

The annual enrollment period will also be the annual opportunity for employees to elect participation in an HMO for themselves and their dependents. The change in the election cannot be made more frequently than once a year except where the employee moves and is no longer able to be serviced by the HMO or the HMO is terminated.

112.3 **WHEN STATUS CHANGES**—An employee may change his enrollment and the enrollment of his dependents to any kind of coverage at any time if such changes result from a change in family, dependency, or employment status of the employee or his dependents. Such changes will be permitted under the conditions described below. An employee who moves outside the area serviced by an HMO plan will be permitted to transfer immediately to the traditional program. An enrollment and authorization card should then be completed and forwarded to the Health Benefits Bureau.

An employee may change his enrollment and the enrollment of his eligible dependents to any type of coverage under conditions other than those specified below only during the annual enrollment period.

An employee who wishes to change his enrollment and the enrollment of his eligible dependents for any of the reasons given below, but who has failed to complete and forward the required enrollment form within the time limits which have been prescribed, may effect such change of enrollment only during the annual enrollment period.

The enrollment for major medical benefits coverage of any employee or dependent may be subject to such evidence of insurability as the carrier may require.

112.31 **MARRIAGE**—Any employee who has been enrolled for coverage and who subsequently marries may enroll the spouse and eligible

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dependents, if any, for any appropriate type of coverage by completing and forwarding a new enrollment form within the period beginning 60 days prior to the marriage and ending 60 days after such marriage. In the event that the spouse of such employee is already enrolled as an employee, the spouse may elect to forego coverage as an employee and to be enrolled for coverage as a dependent, in which event no coverage shall be provided for such spouse as an employee while covered as a dependent.

112.32 **DIVORCE OR SEPARATION**—Any employee who has been enrolled, or has been covered as a dependent of an enrolled employee, and is subsequently divorced may enroll, delete from coverage, or cover any eligible dependents by completing and forwarding a new enrollment form within 60 days after the divorce of such employee or dependent of an employee who was covered previously under the spouse's contract. A change of enrollment of this nature is optional in the case of separation.

112.33 **DEATH OF SPOUSE OR DEPENDENT CHILD**—Any employee who is enrolled as the dependent of another employee who dies may thereupon enroll as an employee, and may enroll all eligible dependents for an appropriate coverage by completing and forwarding a new enrollment form within 60 days following the death. Any employee may, upon the death of a spouse or a dependent child who is enrolled as a dependent, enroll himself and any other eligible dependents for any appropriate coverage by completing and forwarding a new enrollment form.

112.34 **RETURN FROM MILITARY LEAVE**—Any employee upon return from any period of military leave without pay may enroll himself and any eligible dependents for any appropriate coverage by completing and forwarding an enrollment form within 60 days after the date of his return to active full-time employment. In the event a dependent of an employee is discharged from military service, the employee may enroll such dependent for any appropriate coverage within the time specified above.

112.35 **NO MINOR CHILDREN**—Any employee who shall have enrolled one or more dependent children as dependents may alter his coverage and that of his dependents at the end of the calendar year in which the last such dependent child attains age 23 or marries prior to that time, by completing and forwarding a new enrollment form.

112.36 **SPOUSE CEASES TO BE AN EMPLOYEE**—If two spouses, both of whom are employees, are enrolled for any coverage and one of them ceases to be an employee or becomes ineligible for coverage as an employee, the other spouse may enroll for any appropriate coverage and may enroll all eligible dependents for that coverage by completing and forwarding a new enrollment form within 60 days after the change of status occurs.

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112.37 **ADOPTION OR GUARDIAN OF DEPENDENT CHILDREN**—When an employee with Single coverage or Husband-Wife coverage adopts children or becomes the legal guardian of children, assuming the direct support of such children, he may enroll such eligible dependents for any appropriate type of coverage by completing and forwarding a new enrollment form within 60 days prior to and ending 60 days after the completion of the legal action involving the adoption or guardianship. Such application must be accompanied by legal papers stipulating the relationship.

112.4 **HUSBAND AND WIFE ARE EMPLOYEES**—When both husband and wife have elected to enroll and be covered as employees, there will be no duplication of available benefits. For benefits purposes, an employee may be considered either as an employee or a dependent, but not both.

112.5 **10- OR 11-MONTH EMPLOYEES**—For purposes of State and local coverage, an employee paid on a 10- or 11-month basis, pursuant to an annual contract or arrangement with his employer, who terminates his service with the employer in June, having served during all of the months of the year as prescribed by his contract or arrangement with his employer, shall be entitled to a full year's coverage comparable to that of any employee paid on a 12-month basis. Coverage for these employees and their dependents will continue during the summer months provided that proper deductions are taken for dependent coverage as may be required by the State or local employer or as a result of enrollment in an HMO. The result is to provide continuous coverage for these employees and their dependents in the same manner that such is available to employees paid in each payroll or month of the year.

112.6 **INTERPLAN TRANSFERS**—An employee eligible for participation under the State Health Benefits Program will be permitted to transfer coverage for basic benefits under the interplan transfer provision of the service companies, provided the employee was covered by a service contract of another State.

113. **EFFECTIVE DATES OF COVERAGE**—The effective date of coverage for all employees under the Health Benefits Program must be clearly understood since claims can only be paid after coverage has been established. Listed below are those conditions which must be satisfied before coverage can be effective, as well as the effective date of coverage for employees enrolled in the Health Benefits Program:

a. In the case of local coverage, the employer's participation has been approved by the commission.

b. The employee satisfies the definition of "employee" and is eligible for coverage, and

c. An enrollment form has been legibly completed by the employee and registered by the State Centralized Payroll Unit, the payroll clerk of

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a State subgroup, or the certifying agent of the local employer with the Health Benefits Bureau of the Division of Pensions.

113.1 EFFECTIVE DATE, LOCAL COVERAGE—In the case of employees of a local employer, coverage shall become effective for the employee on the first day of the month next following the month in which the first premium payment shall be made by the local employer on behalf of any employee for whom an enrollment form has been filed with the Division of Pensions.

For any dependent whom an employee shall have enrolled for coverage, coverage shall become effective on the first day of the month next following the month in which the first deduction is made from the employee's salary on the payroll, if all or any part of such premium charge for dependents is required by the local employer, or the first premium payment shall be made by the local employer on behalf of any employee's dependents for whom an enrollment form has been filed with the Division of Pensions.

113.2 EFFECTIVE DATE, STATE COVERAGE—In the case of employees of the State, coverage shall become effective for the employee and for any dependents which he may have covered:

a. On the first day at the end of the second period following the payroll period in which the first premium payment was made by the State on behalf of the employee and his dependents in the case of any employee enrolled in a subgroup which reports on a biweekly basis; or

b. On the first day of the month next following the month in which the first premium payment was made by the State on behalf of any employee and his dependents enrolled in a subgroup which reports on a monthly basis.

113.3 NOT ACTIVELY AT WORK—An employee who, at the time his coverage would otherwise become effective, is not actively at work on a full-time basis at his customary place of employment or other location to which his employment requires him to travel, or who cannot satisfy the normal activities test of an individual of the same sex and age, or is confined in an institution, shall not be covered until he is so actively at work and can satisfy the normal activities test. Such employee shall be eligible for coverage immediately upon his return to active full-time work.

A dependent who, at the time his coverage would otherwise become effective, is unable to satisfy the normal activities test of an individual of the same sex and age, or is confined in an institution, shall not be covered until he can establish insurability.

113.4 CONFINED IN INSTITUTIONS—The basic benefits coverage of a dependent who, at the time his coverage would otherwise become effective, is confined in an institution for care and treatment, shall become effective as follows:

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a. Hospital benefits shall be payable for confinements commencing on and after the effective date of coverage only, and

b. Medical-surgical benefits shall be payable for services rendered on and after the effective date of coverage only.

The major medical benefits coverage of a dependent who, at the time his coverage would otherwise become effective, is confined to an institution for care and treatment, or who is unable to carry on the normal activities of a person in good health of the same age and sex, shall not become effective until the dependent has carried on the normal activities of a person in good health of the same age and sex for a period of 31 consecutive days. Coverage shall become effective on the 32nd day.

113.5 **TRANSFERS**—In order to provide mobility to employees of participating employers, as well as the State, employees who transfer from one State payroll to another, or from one participating employer to another, or from the State to a participating employer, or from a participating employer to the State, may continue coverage under the program as long as they enter the service of the new employer in a period for which contributions have already been made; however, if coverage has been terminated, the employee will again have to satisfy the 2-month, continuous-employment waiting period and the actively-at-work requirement in order to obtain the coverage again. Employees who transfer out of the service area of an HMO will be able to obtain traditional coverage or may apply for coverage in another participating HMO servicing their new location.

Moreover, any person who does not immediately transfer his State Health Benefits coverage and who continues his coverage on a direct-pay left-group conversion should continue on a direct-pay basis for the next 2 months of his new employment in order to have continuous coverage under the basic benefits program. Similar conversion is possible for persons covered by an HMO.

114. **TERMINATION OF COVERAGE**—Termination of coverage shall be deemed to occur on the last day of the coverage period for which premiums have been paid. Also, the coverage of an employee and such employee's dependents shall be terminated, subject to the conversion rights, whenever such employee's eligibility shall cease for any of the reasons given below. The effective date of termination shall be the last day of the coverage period for which premiums have been paid for the coverage for the employee and/or his dependents, as the case may be.

No basic plan benefits will be paid for service rendered after the effective date of termination except that, if a person is confined to a hospital on that date, benefits, to the extent available, will be continued during the uninterrupted continuation of that confinement.

The major medical insurance will also terminate if the basic plan terminates. In addition, a dependent's insurance will terminate when he

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is no longer an eligible dependent or if contributions required for dependent coverage are not received. Under certain circumstances, major medical benefits will be available for a limited period after the termination of insurance if the employee or a covered dependent is totally disabled when the insurance terminates. The extension of benefits will apply only to expenses due to the sickness or injury which caused the total disability.

Employees must be reported and deductions must be taken if any are required for dependent coverage as long as the covered employee receives any pay in a particular month.

114.1 VOLUNTARY TERMINATION—An employee may elect voluntarily to terminate coverage for himself or his dependents in the program, but termination of the employee's own coverage shall automatically terminate the coverage of the employee's dependents. Such voluntary termination shall be effected by completing the form supplied by the employer for transmittal to the Health Benefits Bureau of the Division of Pensions or to the Health Maintenance Organization.

114.2 LEAVE OF ABSENCE WITHOUT PAY—The coverage of an eligible employee and of an employee's dependents during any period of authorized leave of absence without pay shall terminate on the last day of the second coverage period following the last biweekly payroll period of the month for which the employee received a salary payment. However, coverage of such employee and such employee's dependents may be continued by such employee, provided that the employee shall pay in advance the total premium required for the employee's coverage and coverage of the employee's dependents during such period of authorized leave of absence without pay, and provided that no period of continued coverage, as specified above, shall exceed a total of 20 biweekly payroll periods, or 9 months, during which the employee receives no pay. In the case of State employees on an approved sick leave, the employer will be responsible for the first 3 months of leave and thereafter the employee may prepay for a maximum of 9 months for continuous coverage in the program.

114.3 CHANGE IN STATUS—

a. Change to Part-Time—In the event that an employee's active full-time employment shall cease and the employee shall become a "part-time" employee, such employee's coverage in the program and the coverage of such employee's dependents shall be terminated. An employee whose coverage terminated as a result of a change from full-time to part-time status cannot be reenrolled in the program until he has reestablished his eligibility for coverage by serving 2 continuous months as a full-time employee. In no event will the 2-month waiting period include any part-time service rendered by an employee.

However, please see 111.1 in reference to the limited continuation of coverage while on sabbaticals.

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b. Dependent no Longer Eligible—Dependent children are covered under their parent's enrollment until the end of the calendar year in which they attain age 23 or until they marry, whichever is earlier. As coverage ceases automatically without any notice being given, the child is responsible for taking prompt action to obtain separate enrollment. To assure uninterrupted protection, application should be made to the service company within 60 days before the child's coverage will terminate. This arrangement may differ among HMO's since other carriers can be involved and since some HMO's do not permit continuation on a nonstop basis. A child who is physically or mentally incapable of self-support at the end of the calendar year in which he attains 23 may be continued under the plan while remaining incapacitated and unmarried, subject to the coverage continuing in effect. Proof of incapacity must be received by the Division of Pensions within 31 days after coverage would otherwise terminate.

114.4 RESIGNATION, TEMPORARY LAYOFF, REDUCTION IN FORCE—The coverage of an employee whose eligibility has ceased because of his resignation, temporary layoff, separation through a reduction in force or for any other reason, and the coverage of his dependents, shall be terminated subject to the conversion rights.

114.5 WORKERS' COMPENSATION—An employee who has an award pending, or who received an award of periodic benefits under Workers' Compensation, will have his coverage continued and can continue the coverage of his dependents, provided that the employee shall pay to his employer in advance that portion, if any, of the premium due from the employee to continue such dependent coverage.

114.6 CONVERSION—The basic benefits coverage of an employee and an employee's dependents may be continued after termination of coverage under the State program for any reason, except voluntary termination, on a direct remittance basis under Left-Group coverage. "Left-Group" pertains to the employee who has left the group coverage and may or may not be eligible to continue his basic benefits under terms of an individual, as distinguished from a group contract. This means, under the State plan, that if the employee's enrollment terminates for reasons other than retirement, or because he meets the age or any other eligibility requirement of the Federal Medicare Program but does not have full Medicare coverage, or if his enrollment continues but one of his dependents ceases to qualify as an eligible dependent, he or his dependent has the right to obtain, without evidence of good health, personal, direct-pay basic benefits contracts issued by the service companies. Employees enrolled in an HMO plan and who subsequently terminate for the same reasons will be contacted by the HMO plan in which they are enrolled. Continuation of coverage may differ among HMO's.

There is, however, no conversion privilege allowing major medical insurance to be continued once a covered person's group enrollment is

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terminated. The Division of Pensions will arrange to notify the service companies or the HMO plan will notify its designated carrier when the employee leaves his job with the employer. Shortly afterwards, a premium notice will be sent to his home and he will have a specified time within which to return it with his payment to the service companies or other denoted carrier in order to exercise his conversion rights.

114.7 TERMINATION OF EMPLOYER PARTICIPATION—A participating employer will be considered in default 31 days after the beginning of the coverage period for which premiums were due. At this point coverage will terminate for all employees and dependents, and the employer must notify all employees of the termination of coverage.

For purposes of local coverage, where a participating employer voluntarily terminates coverage, the coverage for his active and retired employees shall terminate at the end of the coverage period corresponding to the premiums that have been transmitted to the carriers or the HMO plans by the Division of Pensions. The employer shall be barred as a participating employer from future reentry into the program.

The participating employer must appreciate that since his application for participation in the program was subject to approval by the commission upon receipt of a resolution of the governing body, that the termination of participation will also require a resolution by the governing body and prior approval by the commission. A minimum of 60 days' notice must be given to the Health Benefits Commission.

The insurance for an employee and his dependents will terminate if his service as an eligible employee of the State or with the participating employer terminates, his employer ceases to be a participating employer, or if the group insurance plan is discontinued. Coverage under the Health Benefits Program will also terminate if he meets the age or any other eligibility requirement for the Federal Medicare Program but is not covered by the complete Federal program. The cessation of active full-time employment shall be considered as having occurred on the last day of the coverage period for which premiums have been paid.

115. ELIGIBLE EMPLOYERS—Any county, municipality, school district, or public agency, such as housing and sewerage authorities, as defined in Section 71 of Chapter 84 of the Laws of 1954, may elect to participate in the State Health Benefits Program.

The requirements are the same for all local employers. No minimum number of employees and dependents is required upon entrance into the program or for continuation in the plan as long as all eligible employees sign enrollment cards either accepting or rejecting coverage. All new eligible employees must likewise file such cards. Many employers already have basic benefits coverage when they enter the State program. The service companies will cancel any existing contract with such an employer. It will not be necessary for the employer to cancel on the anniversary date.

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115.1 EMPLOYER CHARGES—A participating employer must make the plan available to all of his eligible employees, and the employer must pay the full cost of employee coverage for all of his employees who enroll. Also, the local employer may pay any portion of the cost for the dependent coverage of the employees who have established coverage in the Health Benefits Program for their dependents. Any employer who elects to pay any portion of the cost for dependent coverage shall pay the same proportion of the cost of such dependent coverage for all employees covered by the program. Moreover, should a local employer agree to pay all of the cost for dependent coverage after the Health Benefits Program has been adopted by the employer, all employees must be resolicited with respect to coverage for themselves and their dependents. The employer shall give all of his employees an opportunity to complete and forward a new enrollment form within 60 days following the employer's assumption of the dependent premium charges. Any employee who fails to complete and forward the required form within the time limits which have been prescribed may effect such change of enrollment only during the annual period.

For purposes of State and local coverage the employer who pays any portion of the cost for the employee and for dependent coverage cannot pay any more for the same type of coverage if the employee enrolls himself and his dependents in an HMO as an alternative program. If the cost of the coverage in the alternative plan exceeds the cost of the State program, the additional premium would be collected by payroll deductions from the employee.

The employer is required to reimburse the active employee for the monthly premium which the employee is paying to social security for his Part B coverage and that of his spouse under Federal Medicare. The reimbursement is not includible in the gross income of the employee and is not subject to withholding or social security tax.

In addition, such participating employer will share with the State of New Jersey expenses for the administration of the plan.

The New Jersey State Health Benefits Program is an experience-rated plan based on the experience of employees of all localities who enroll in the program. The net cost of the plan is based on the experience of employees of all participating localities and as such differs from the community-rated plans for all other service company subscribers and groups.

115.2 RATES—Local employers will be notified of any rate changes before the effective date by the receipt of a revised rate chart as such rates have been approved by the commission.

115.3 EMPLOYER PARTICIPATION—In order for any local employer to participate in the State Health Benefits Program, the governing body must pass a resolution requesting participation in the plan.

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The resolution should be adopted and returned to the Division of Pensions indicating a specific future effective date of coverage. The resolution must be in the office of the Division of Pensions 75 days prior to the effective date which must be on the first of any given month. Upon receipt of the resolution and its approval by the State Health Benefits Commission, the Division will forward to the employer a supply of enrollment and authorization cards, a supply of employee booklets explaining the benefits of the plan and a roster form on which the employer should list all of his employees.

The employer will complete the roster form for all employees with particular attention to the item denoted "part-time" on the form. In all instances where the employee is part-time, the number of hours that he works must be indicated on the roster form since a minimum of 20 hours per week is needed in order to qualify the employee for coverage in the Health Benefits Program. For every qualifying employee shown on the roster, the employer must distribute an enrollment and authorization card which must be completed by the employee indicating his acceptance or rejection of Health Benefits coverage. The roster and completed enrollment and authorization cards must be returned to the Division of Pensions.

It is important that the cards be carefully completed by the employees, giving all required information. Upon receipt of the enrollment cards and the roster, the Division of Pensions will:

a. send the employer identification cards and an insurance certificate for major medical coverage for distribution to the covered employee (comparable cards and certificates will be issued by an HMO plan) and

b. bill the employer monthly for appropriate premiums for all insured employees and their dependents.

115.4 **NEW ENROLLMENTS**—An enrollment card must be completed by the employee and the payroll clerk in order to establish the employee's coverage in the Health Benefits Program. Completion of a special HMO application for enrollment together with the standard enrollment card is necessary for enrollment in an HMO plan.

Employees of local employers who do not enroll in the Health Benefits Program at the time they are eligible, may enroll only at the annual enrollment period each year during the month of January coverage effective May 1. This rule applies to adding dependent coverage other than as a result of a change in family status. The annual enrollment period for employees of the State and the State subgroups is the month of February each year with coverage effective for the first coverage period in May.

All employees hired after their employer had adopted the Health Benefits Program will be eligible for coverage on the first of the month

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following 2 months of continuous employment. A 1-month advance premium is required for each new enrollment, and the enrollment card and the advance premium must be submitted via the Monthly Change Summary form by the 5th of the month preceding the effective date of coverage. If the employee was covered by the service companies with his former employer or by private contract, he should continue to forward direct payments to the service companies for the first 2 months of his new employment. This will assure the continuation of his basic benefits coverage without interruption.

In the case of local coverage, John Doe is employed on February 8, eligible for coverage May 1. The enrollment card must be submitted with the Monthly Change Summary due April 5 so as to be included on the monthly billing report due April 24 for May 1 coverage.

In an example pertaining to State biweekly coverage, John Doe is employed during the period from January 12 to January 27. Coverage will be reflected on the biweekly pay period beginning February 23 and become effective on March 22. The enrollment card must be submitted to the Centralized Payroll Unit by March 3 so that his coverage in the program will become effective March 22.

115.5 THE ENROLLMENT CARD—To avoid undue delay in the processing of enrollments, the payroll clerk should inspect the cards for the completeness of the following information supplied by the employee, as well as those items that must be completed by the payroll clerk:

a. Data completed by employee:

1. Date of employment.
2. Social security number.
3. Birthdate.
4. Last name, first name and middle initial must be printed, as well as the employee's mailing address.
5. If the employee is enrolled in the service companies' plan at the time the enrollment and authorization card is completed, the employee's identification number for the service companies, as well as the group number, if applicable, should be indicated in the appropriate section.
6. The "M" and "F" on the card will be checked by the employee to indicate sex.
7. Name of former employer and date employment terminated will be given.
8. The employee must sign and date the card, authorizing enrollment in the program, as well as certify that if he and/or his spouse are eligible to enroll in the Federal Medicare Program, that they are enrolled for the full Federal program.
9. The employee must check "a," "b," or "c" on the enrollment card indicating his desire to enroll in the traditional State Health Benefits

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Program, or an HMO plan, or neither of the above. Only employees residing in an eligible zip code area may enroll for an HMO plan.

10. The employee must check the appropriate box on the enrollment and authorization card indicating the specific type of coverage he wants for himself or his dependents.

11. The first name and birthdate of each covered dependent and the relationship of the dependent must be shown by the employee.

12. Marital status is to be denoted.

13. If the employee is applying for a change in coverage, the appropriate section of the enrollment and authorization card must be completed.

14. If the employee wishes to terminate the coverage of a dependent, the relationship of the person, the reason for termination, and the date the termination occurred should be shown on the enrollment card.

b. Data completed by payroll clerk:

1. Name of employer.

2. Report number.

3. County location (if local employer).

4. Type of transaction, such as new enrollment, coverage change, Medicare change, etc.

5. The HMO name and HMO number should be indicated if the employee is electing to enroll in an HMO plan.

6. Signature of certifying officer and date.

The employer should review the "Enrollment and Authorization Card" as well as the HMO "Application for Enrollment or Change" to be certain that all information has been completed, and forward the cards to the Health Benefits Bureau. The employee's ZIP code determines the eligibility for participation in an HMO plan and should be verified by the employer.

115.6 **COVERAGE CODES**—The coverage code is developed from the information contained on the member's enrollment card relative to the employee's participation in the program as well as the coverage established for his dependents, if any. The code assigned is composed of two digits. The first digit is a description of the employee's coverage, whereas the second digit establishes whether the employee, spouse, or both are enrolled in the Federal Medicare Program. All covered subscribers and spouses who attain the age of 65 or who are otherwise eligible for Medicare coverage because of disability, chronic kidney disease, etc., must be fully covered under the Federal Medicare Program in order to continue their coverage in the State Health Benefits Program, either as active employees or as retired employees. The code is as follows:

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Description of Coverage	Code
Employee Only	1
Husband and Wife	4
Family	5
Employee and Child(ren)	8

The second digit of the code is as follows:

1—Employee only is enrolled in the complete Federal Medicare Program

2—Employee and spouse are both enrolled in the complete Federal Medicare Program

3—Spouse only is enrolled in the complete Federal Medicare Program

0—Employee and spouse under 65 and neither one is enrolled in the Federal Medicare Program

For example, an employee who establishes coverage for his family under the Health Benefits Program, provided both he and his wife were under the age of 65 and not otherwise eligible for Medicare coverage, would be assigned a coverage code of 50. A husband and wife enrolled for coverage who are both enrolled in the complete Federal Medicare Program would be assigned a coverage code of 42.

115.7 CHANGE UNDER MEDICARE—All employees must complete a "Change in Coverage" application when they or their dependents attain age 65 or are otherwise eligible to enroll in the Federal Medicare Program, because under these circumstances Health Benefits coverage can be continued only provided the employee or his dependents are covered under both Parts A and B of the Federal Medicare Program. When the employee attains age 65, an application for change in coverage will be sent to the employees by the Divison of Pensions. When his spouse attains age 65, the employee must notify his employer or the Division of Pensions in order to secure an application for change to "Complementary to Medicare" coverage. In either situation the employee must complete the card within a 2-week period after it is received and return it to the Health Benefits Bureau, or submit the application to his employer for forwarding to the Bureau for processing with the change to be reflected on the employer's next monthly bill.

If the employee fails to receive a Medicare conversion application from the Division of Pensions, he should secure a regular enrollment and authorization card from his employer, complete it, and proceed as stated above. The block on the enrollment card indicating Medicare change would be checked in this situation.

In the situation where a subscriber and/or his spouse become eligible for Medicare coverage because of disability, chronic kidney disease, etc., active employees should notify their employers, while retired subscribers should notify the Division of Pensions of their Medicare coverage since

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the Division of Pensions would not otherwise become aware of this eligibility. Active employees will be required to fill out new regular enrollment and authorization cards, and the cards will be marked so that they are readily identifiable as Disability Medicare conversions. In all cases the employee must furnish a photocopy of the Medicare identification card or the social security official notification showing the effective date of enrollment in both the Hospital (Part A) and the Medical (Part B) phases of the Federal Medicare Program. The Division of Pensions will forward new cards to retired employees, and these completed cards and Social Security Medicare coverage documents must be returned to the Division of Pensions to effect this conversion to Complementary Medicare coverage for these retired subscribers.

The change in coverage is effective on either the first of the month in which the enrollment in the Federal Medicare Program becomes effective or the first of the month after the Health Benefits Bureau is notified of Medicare coverage, whichever is later. If the application for change in coverage is not timely received, the member's as well as the dependent's coverage will be terminated. The active employee would not be eligible to reestablish coverage until he has secured his participation in the Federal Medicare Program and applies for reenrollment during the annual enrollment period.

116. REPORTING PROCEDURE—Each month the Health Benefits Bureau sends to all local employers and the monthly subgroups of the State a report listing (a) the changes which the employer had submitted in advance (by the 5th of the month), (b) total number of employees covered under each coverage code together with the total billing amounts, and (c) payment transmittal listing the total premiums due for the employer and dependent portions. The monthly report is sent to the employer on about the 16th of each month, and payment transmittal with checks must be returned to the Division of Pensions by the 24th of the month in order to guarantee continuation of coverage of all employees.

A complete coverage listing will be mailed periodically to each employer showing all its covered employees. The list should be audited by the employer to assure that all eligible employees are covered. Employers may periodically be requested to confirm enrollments to the Division of all its eligible employees.

Most State employees covered by the Health Benefits Program are reported for coverage through the State Centralized Payroll Unit. All applications for changes in coverage or new enrollment applications must be received from the Centralized Payroll Unit on the first Friday of the week following the date that the member actually receives his biweekly pay. For example, a member who had a change in coverage for the biweekly pay period October 7—October 20 had his pay check issued to him on October 27. The State Centralized Payroll Unit had to submit, on

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November 3, a Change in Coverage application in order to have the member's effective date of coverage established on the November 4—November 17 coverage period. Each State payroll clerk will annually receive a schedule indicating when enrollment or change in coverage applications should be received by the Centralized Payroll Unit and the date the coverage or change is to become effective.

116.1 HEADING OF THE MONTHLY REPORT—The heading of the monthly report contains the following information:

a. employer identification number which will consist of a common group number 920000, the last four digits of which will reflect the identical number of the agency's social security employer identification number;

b. name of employer;

c. coverage period; and

d. due date on payment transmittal portion.

116.2 MONTHLY REPORT OF COVERAGE AND PREMIUM—The monthly report of coverage and premiums due is prepared by the Division of Pensions. The report will incorporate all changes which the employer had submitted to the Division in advance of the billing date so that it will be a final bill for the actual liability for all its covered employees and dependents for the month and should not be changed by the employer after he receives it. If a monthly bill is not accurate for any reason, the necessary change should be made by the employer in the following month, and a retroactive credit or charge will be allowed. Coverage changes which were rejected because of incomplete information will be returned to the employer so that he may resubmit them the following month. If appropriate, coverage will be effective retroactively and will be billed both on a current and a retroactive basis in the monthly billing for that month in which the change is accepted. In effect overages and shortages should not occur since the value of premiums indicated on the report must be paid, and premium adjustments will be reflected on the next report.

The monthly report consists of three parts:

a. Record of Coverage—indicates for each coverage classification the number of individuals covered last period, the net changes which were processed this period, the total number of individuals covered this period, and any retro periods applicable to each coverage classification. It also indicates the premiums which are due for the coverage in total for employer and dependent amounts and the number of additions, deletions, and changes which were accepted, rejected, and received prior to the billing.

b. Payment of Transmittal Sheet—indicates the premium which is due, to whom the check should be made payable, and when payment is to be received. This Payment Transmittal must be signed by the

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certifying agent and must accompany the checks in payment of premiums when they are forwarded to the Division.

1. Each local employer is required to remit two checks monthly to the Division of Pensions: one check covering the employer's cost and one check covering the dependent coverage cost. The check for the employer's cost should be made payable to the "New Jersey Employers' Health Benefits Fund," while the check covering the cost of dependent coverage should be made payable to the "New Jersey Dependents' Health Benefits Fund."

The value of the checks will be the same value as indicated on the "Payment of Transmittal Sheet."

In those cases where the local employer is paying all or some portion of the cost of dependent coverage, the premium payment should nevertheless be reflected in the check payable to the "Dependents' Health Benefits Fund."

c. Transactions Processed This Period—lists the social security number, last name, initials of given and middle name, effective date, coverage new and old, retro periods, date of birth, identification number, spouse's date of birth where applicable, and denotes the basis of the change such as new enrollment, termination, etc. With regard to coverage new and old, a new enrollment would indicate the new and no previous (old) coverage; on the other hand, a termination would only indicate the previous (old) coverage. A coverage change would indicate both the previous (old) and the current (new) coverages.

116.3 SCHEDULE—In order to permit the Division to prepare an accurate bill for each participating employer, the employer and the Division will have to strictly adhere to the following time schedule:

a. Employers will be asked to submit new enrollments, coverage changes, and coverage terminations "by the 5th of each month for coverage changes which are to be effective the first of the following month."

b. Coverage changes which are submitted by each employer will be processed and incorporated in the new monthly coverage billing that will be forwarded to each employer by the 16th of the month.

c. Each employer will be required to return a Payment Transmittal form and checks covering monthly premiums for employer and dependents amounts by the 24th of month.

d. This schedule will be repeated each month throughout the year.

In summary, changes must be submitted by the 5th of the month, the monthly bill will be mailed to the employer by the 16th, and the payment transmittal is due back by the 24th. For example, premiums paid by October 24 will provide coverage for employees and their dependents for the following month of November.

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116.4 PROCESSING CHANGES—

a. New Enrollments—For all new employees who will have satisfied the 60-day waiting period by the first of the next month, the "Enrollment and Authorization Card" must be received by the 5th day of the current month.

Example: An employee who will have satisfied the 60-day waiting period by November 1 is eligible for coverage for the month of November. The "Enrollment and Authorization Card" should be submitted by the 5th of October.

b. Terminations—If an employee is terminating coverage for any reason (usually resignation), coverage will terminate on the first of the month following the month in which the employee receives no pay or indicated his desire to terminate coverage.

Example: An employee who receives salary for any period in the month of October but receives no salary for the month of November will have his coverage terminated December 1. The termination must be submitted by the 5th of November.

c. Rejections—A new employee who rejects coverage must complete an "Enrollment and Authorization Card." The total number of employees who rejected coverage should be indicated in item 8 of the Monthly Change Summary and their cards submitted with the form. An employee whose coverage is terminated for reasons other than a rejection of coverage must be listed on the "Transmittal of Deletions" form by the employer; no card is required for a termination.

d. Coverage Changes—For employees who wish to change their coverage and are eligible to do so, the effective date of the change will be the first of the month following the month in which the change is submitted.

Example: Coverage changes effective November 1 must be submitted by the 5th of October.

116.5 FORMS—The following are forms which are to be used for the submission of changes by the 5th of the month:

a. "Transmittal of Deletions"—On this form are listed all deletions due to death, termination, and retirement. Instructions for its completion are printed on the reverse side of the form.

b. "Monthly Change Summary"—This will include the total number of cards for new enrollments, coverage changes, rejections of coverage being submitted as well as the total number of deletions reported on the "Transmittal of Deletions" form.

116.6 HMO REPORTS—Employers who are in an area serviced by an approved HMO will, in addition to the monthly report for the traditional program, be required to complete a report appropriate to the particular

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HMO. The schedule to be followed and the method of processing changes are identical to those of the traditional program (with the exception of terminations which are submitted directly to the HMO together with premium payments). The reporting format may vary depending on the needs of each HMO.

116.7 PERIODIC LISTING AND AUDIT—Periodically a listing identifying employees and their coverage for whom premiums have been paid will be prepared by the Division. The listing will be used to conduct an audit to ascertain the accuracy of the monthly billings that have been submitted to the Division.

117. ERRORS AND REFUNDS—Refunds will be provided where an error occurs if the error was due to a mistake or inadvertence on the part of the employer. Errors can be corrected only on a prospective basis if the error was that of the employee.

For example, an employee continued family coverage to protect his children although the youngest had attained age 23. His request for a retroactive refund will be rejected; his coverage was, however, altered on a prospective basis to husband and wife coverage.

118. COVERAGE AT RETIREMENT—The right to continue the Health Benefits Program at the time of retirement is one of the most important features of the State program. If the employee terminates his position for retirement, he should contact his payroll clerk or personnel officer prior to leaving the payroll in order to arrange for the uninterrupted continuation of this group protection.

Retired employees will pay the cost of the insurance for themselves and their covered dependents, unless they are eligible to have the payment for the insurance made by their employer. Chapter 75, P.L. 1972, requires the State to pay the cost of health insurance in the State program for certain State pensioners and their dependents who retired on or after July 1, 1972. This date was amended to July 1, 1964, by Chapter 136, P.L. 1977, effective with premiums due August 1, 1977. Chapter 88, P.L. 1974, provides for the payment of health insurance and reimbursement of Medicare Part B premiums for certain eligible retired local employees and their dependents by local employers who elect to do so by adopting a resolution designed to:

a. apply to all pensioners retiring after the adoption of the State Health Benefits Program by the local employer;

b. continue as long as the State is paying the cost of its eligible pensioners and their dependents in accordance with the provisions of Chapter 75, P.L. 1972, as amended by Chapter 136, P.L. 1977;

c. provide for local employer reimbursement of Federal Medicare premiums for eligible pensioners and/or their spouses, as well as the payment of health insurance premiums required by the program, on a basis comparable to the reimbursement made by the State to its eligible

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pensioners and their spouses in accordance with the provisions of Chapter 75, P.L. 1972, as amended by Chapter 136, P.L. 1977;

d. require the local employer to pay the full cost of such premiums and Medicare charges;

e. provide for an effective date not earlier than the first day of the month at least 90 days following the receipt of the local employer's resolution on forms approved by the Division. Eligible pensioners include those who retire on or after the stipulated effective dates and who receive a benefit based on 25 years or more of service credited in a State or locally-administered retirement system. It also includes those who retire on or after the stipulated effective dates and who receive a benefit based on 25 years or more of service credited in a State or locally-administered retirement system. It also includes those who retire on a disability pension based on fewer years of service credited in such retirement systems, but it does not include those who elect deferred retirement.

If an employer has adopted the provisions of Chapter 88, he may also adopt Chapter 54, P.L. 1979, which provides for payment of eligible retirants' coverage for those retired in the period July 1, 1964, up to the date of the employer's participation in the State Health Benefits Program, whether or not the retirant has health insurance coverage.

118.1 **ELIGIBILITY FOR RETIRED COVERAGE**—If the retired employee is eligible for a retirement allowance which is sufficient to cover the cost of Health Benefit premiums, he will be permitted to continue his health benefits coverage, provided the coverage was in effect immediately preceding the effective date of his retirement. It is important to note that the employee will be allowed to continue coverage under the same type of coverage he held as an active employee. Once enrolled in the retired group, the retiree may not increase coverage or reestablish coverage if the coverage has been terminated. All retired employees and/or their spouses must be enrolled under both Parts A and B of the Federal Medicare Program when they attain age 65 or are otherwise eligible for enrollment in Medicare because of disability, chronic kidney disease, etc. The retired subscriber must notify the Division of Pensions 60 days prior to the effective date of Medicare enrollment so that the Health Benefits Bureau may adjust his coverage in the program.

Employees with HMO coverage who retire will be eligible to continue coverage providing they are not eligible for Medicare. Retirants enrolled in HMO are no longer eligible except on a fee-for-service basis when they become eligible for the Federal Medicare Program. Furthermore, retirants are not permitted to transfer enrollment to the traditional Health Benefits Program once they become ineligible for the local HMO by reason of coverage under Parts A and B of the Federal Medicare Program. Transfer to the State Health Benefits Program from an HMO is possible only should the retirant move outside the zip code area serviced by the HMO in which the retirant is a participant.

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118.2 RETIRED EMPLOYEE DEFINED—"Retired employee" shall be defined as a covered employee, who immediately following the cessation of employment, applies for and receives a periodic retirement allowance for life or duration of disability to which he is entitled by reason of age, years of service, or disability, provided such allowance is being paid by a State or locally-administered retirement system or plan by which he was covered immediately prior to his retirement. An employee who continued his coverage while on an official leave of absence for illness without pay but whose coverage was terminated when his leave exceeded the period established by the statute for the continuation of coverage during such leave, will be permitted to elect to continue Health Benefits coverage into retirement provided such leave was in effect immediately preceding the date of his retirement. The definition of "retired employee" shall include the spouse of the employee, provided he was covered as a dependent under the Health Benefits Program immediately preceding the retirement or the death of the active or retired employee, and further provided that he was the employee's beneficiary and immediately applied for and receives a life annuity available to him at the employee's death, paid by a State or locally-administered retirement system or plan.

The definition of "retired employee' shall not include an employee who, on cessation of employment, elects a deferred retirement benefit under which payments begin at a future date.

For purposes of retired coverage, continuity of coverage may be extended until such time as the application for retirement is formally approved by the board of trustees of the retirement system paying the benefit or the carrier underwriting the individual annuity contracts. If it is not necessary for a board of trustees to approve the application, then the retirement application will be considered approved when the necessary action has been taken by the Division of Pensions, the local retirement system, or the carrier. The retiring employee or eligible dependent of a retired employee must submit personal payments to the Health Benefits Program in order to continue coverage, unless he qualifies as an eligible pensioner and his employer has assumed the cost of his coverage.

118.3 MAJOR MEDICAL LIMITS AT RETIREMENT—After retirement, the maximum lifetime benefit under the major medical coverage for each individual will be the lesser of the unused balance of the lifetime maximum remaining while in active service or $20,000 with minimum benefit of $5,000. The automatic restoration procedures does not apply after retirement.

118.4 COMPLETION OF RETIRED STATUS CARD—If the employee is eligible for a retirement allowance, he must complete a Retired Status card furnished by the Division of Pensions, his payroll clerk, or personnel officer. The employee must identify himself and indicate the

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type of health benefits coverage he will continue into retirement on the front side of the Retired Status card. On the reverseside of the card, the employee is required to identify all of his dependents and to indicate any changes or terminations of coverage. The name of the retirement system from which he is retiring must be noted on the Retired Status card. If the employee is not interested in continuing health benefits coverage into retirement, he should check the block on the card indicating that he does not wish to continue such coverage. The retired employee or his beneficiary should appreciate that while coverage can be continued or decreased, it cannot be increased beyond what it had been prior to retirement or death.

The payroll clerk must certify to the information requested on the front side of the card in those cases where the pensioner or survivor is receiving benefits from a retirement program which is not administered by the Division of Pensions.

118.5 COMMUNITY-RATED GROUP REMITTANCE PLAN—Retired employees who were covered under the State plan before retirement cannot be enrolled in the group remittance plan administered by the Division of Pensions. They can have retired coverage with the State plan or a direct payment conversion with the service companies. Please see 37.8 for a discussion pertaining to the group remittance plan administered by the Division of Pensions for certain retired employees and their dependents or survivors.

118.6 STATE-ADMINISTERED RETIREMENT SYSTEMS—For employees who retire from a State-administered pension fund, a 3-month advance premium may be required to continue their former active coverage into retirement. A letter and a Retired Status card will be sent to the employee by the Division of Pensions which stipulates that the employee will have to complete the Retired Status card and remit the value of the 3-month premiums to the Division. The value of the premium is indicated in the letter, and a check covering the premiums should be made payable to the "State of New Jersey, Health Benefits Fund." The premium remittance and Retired Status card must be returned to the Division of Pensions within 15 days of the date of the letter. Future premium deduction, if required, will be taken from the retirant's retirement allowance at the end of the 3-month period covered by the personal payment.

118.7 LOCALLY-ADMINISTERED RETIREMENT SYSTEMS—Employees who retire from locally-administered retirement systems are entitled to continue their coverage in the State Health Benefits Program. The value of the monthly premium will be sent to the Divsion of Pensions with the monthly report of coverage for retired persons.

The monthly report for such retired employees is similar to the report the employer is required to complete for active employees. If the

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retired employee was a member of a locally-administered pension fund, his premium charge and that of his dependents may be deducted from any pension that is payable to him by the local fund unless he qualified as an eligible pensioner and his employer has assumed the cost of his coverage. If the pension is inadequate to meet the cost of the premium chargds, the employer will have to collect the premiums in advance in order to pay such premium when the monthly report must be filed with the State Health Benefits Program.

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HEALTH BENEFITS
GENERAL LEGISLATION

119. OTHER GROUP PLANS FOR HEALTH BENEFIT COVERAGE—In addition to the State Health Benefits Program described in sections 110-118, public employers as well as groups of public employees in the State have been permitted to contract for group health insurance coverage for many years, using the general legislation originally enacted for school district personnel as Chapter 47 of the laws of 1940 or for all other public employees as Chapter 70 of the laws of 1924. Chapter 70 was importantly amended by Chapter 180 of the laws of 1960 and subsequently by Chapter 204 of the laws of 1967, as described below. Chapter 47 was completely revised by Chapter 391 of the laws of 1979 which essentially made the two pieces of general legislation similar in language and application.This information is included in this manual because (1) a copy of any contract executed pursuant to such general legislation must be filed with the State Health Benefits Commission, an agency of the Division of Pensions, and (2) the State Health Benefits Commission is required to file a report to the Governor and the legislature as to such contracts in order to make recommendations it deems appropriate in order to achieve uniformity of coverage and benefits for employees throughout the State.

Chapter 47, P.L. 1940, as amended and supplemented, provides that where 50 percent or more of the persons employed by a board of education shall agree to participate in any hospital service plan or group insurance plan, the board of education may take the necessary premium payments as payroll deductions. However, the statute holds that no governing body is compelled to pay any portion of the premium for such group coverage.

Chapter 337, P.L. 1973, provides that an employee may elect to enroll in a Health Maintenance Organization. The employee is permitted to elect HMO participation at least once a year. In no event shall an employer make a contribution to the HMO for such employee which is greater than that which he may be making to any other plan.

119.1 CHAPTER 180 OF THE LAWS OF 1960—This legislation gave formal recognition to the contracts which had been negotiated pursuant to the original 1924 statute involving group life, accidental death and dismemberment, hospitalization, medical-surgical, major medical, or health and accident insurance coverage. The original legislation had authorized the governing body of the county or municipality to pay, as additional compensation, a part of the premium of such group policy or

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policies. Initially, the legislation established a 25 percent limitation as to the portion of the premium which could be paid by the public employer.

The 1960 amendment gave greater definition as to those who could be covered, specifying dependents as spouses and dependent children under 19 years of age. The amendment sanctioned employer payment of a part or all of the premium for the employees and their dependents. However, the statute held that no governing body would be compelled to pay any portion of the premium for such group coverage.

119.2 CHAPTER 259 OF THE LAWS OF 1964—The establishment of the State Health Benefits Program for State employees in 1961 was followed in 1964 by an expansion of that program to include employees of the State's political subdivisions. The legislation also provided for a continuation of coverage to retired employees for the first time, but required the pensioner to pay at least what he and his employer would have paid for himself and his dependents had he remained in active employment.

At the same time, an important legal decision in Riddlesdorfer vs. Rahway had found that the general statute had been violated by the inclusion of retired lives as well as elected and appointed officials under group contracts. Chapter 259 of the Laws of 1964 confirmed all previous contracts extending coverage to elected officials and to retired lives, and like the statute pertaining to the State system, prescribed that such contracts would require the retired employee to pay an amount not less than the amount which should have been required of him and his employer for the coverage had he continued in employment.

Chapter 259 of the Laws of 1964 also prescribed that a copy of every contract pertaining to the several insurances permitted under the general legislation be filed with the State Health Benefits Commission and that the commission prepare and file a report with the Governor and the legislature as to such contracts. The commission was empowered to make recommendations concerning such contracts as it might believe appropriate in order to achieve uniformity of coverage for public employees throughout the State.

119.3 THE 1964 REPORT—Beginning in 1964, and every 2 years thereafter, surveys were conducted by the Division of Pensions gathering data concerning health benefit coverage available to public employees in all of the political subdivisions of the State. It was primarily the findings of the initial survey of 1964 which prompted the legislation requiring the report by the commission. In summary, the 1964 survey demonstrated that a majority of the public employers in the State paid the entire cost or some portion of the cost for a health insurance plan for their employees. Almost all of the entities offered some sort of program, but a smaller number provided major medical coverage to complement a basic plan of hospitalization and medical surgical benefits.

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The 1964 survey demonstrated that there were several problem areas: (a) the need for a State-wide plan, (b) some discrimination among employees, and (c) some duplication of coverage.

119.4 MEDICARE—The advent of the Federal Medicare Program created an additional problem for employers contracting for group health insurance for their employees. It was generally established that all carriers would not duplicate the benefits of the Federal plan and, as such, complementary programs had to be developed to delineate the benefits which would be provided in addition to those offered by Medicare. A completely different rate structure had to be established for active as well as retired employees 65 or more and their dependents eligible for Federal benefits. The act governing the State Health Benefits Program was accordingly amended to prevent any duplication of benefits, and that legislation likewise provided for a reimbursement to the active employee for the monthly charge required of those electing Part B of Federal Medicare. However, unless the individual was covered by both Parts A and B of the Federal program, the individual could not continue as a member of the State Health Benefits plan.

119.5 THE 1966 REPORT—The 1966 survey conducted by the Division of Pensions was designed to update the information which had been obtained as a result of the 1964 survey and to determine the scope of the specific problem areas which had been revealed by the 1964 data. Since the survey determined that the problem areas had not been materially resolved, the commission, in its first report in 1966, recommended legislation which would (a) eliminate discrimination in coverage, (b) define and clarify the coverage of defendents, (c) acknowledge the Federal Medicare Program in order to clarify the status of those eligible for coverage under the Federal plan, (d) prevent selection at retirement by the inclusion of one or more retired lives subsequent to the adoption of the contract, (e) restrict coverage to avoid duplication of benefits and costs, (f) provide for employer reimbursement to active employees 65 or more required to pay under Part B of Federal Medicare, comparable to a provision of the State Health Benefits Program, (g) secure full publicity of costs, particularly in those cases where a single policy or contract was designed to include many coverages in an effort to minimize costs, and (h) afford sufficient time to provide for conformity of prior contracts in terms of the proposed amendments to the general legislation.

119.6 CHAPTER 204 OF THE LAWS OF 1967—This legislation, effective September 20, 1967, eliminated the possibility of any discrimination in coverage by providing that the contracts cover all employees and could include all dependents of such employees. The dependents were specified as the employee's spouse or unmarried children, including stepchildren and legally adopted children, and at the option of the employer and the carrier, foster children as well—all such children under

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the age of 19 who live with the employee in a regular parent-child relationship. At the option of the employer and the carrier, the contract may also include unmarried children of the employee under the age of 23 who are dependent upon the employee for support and maintenance.

Elected officials are to be considered employees but coverage would not be extended to those employed on a short term, seasonal, intermittent, or emergency basis or to persons compensated on a fee basis or persons whose compensation is limited to reimbursement of expenses incurred in the discharge of their duties. Employees and dependents are not to include active or retired persons who are not covered under the complete Federal Medicare Program.

Retired employees and their dependents may continue to be covered if they are covered by a group contract or group remittance plan as of the effective date of the act or immediately prior to the employee's retirement. The contract must contain limitations, exclusions, or exceptions in order to avoid duplication of benefits under programs otherwise available under any other law of the State or under the laws of the United States, such as the Federal Medicare Program, and at the option of the employer and the carrier, under any other arrangement of coverage for individuals in a group, whether the coverage is on an insured or uninsured basis.

Employers are authorized to pay part or all of the premiums or charges for such contracts, and the contribution required of any employee may be deducted from compensation of the employee upon proper, written authorization from such employee.

The continuance of coverage after retirement is permitted as long as the retired employee pays for the entire cost of coverage for himself and his dependents provided, however, that the total rate payable by the retired employee for himself and his dependents, for coverage under the contract and for Part B of Medicare, shall not exceed by more than 25 percent the total amount that would have been required to have been paid by the employee and his employer had he continued in office or active employment and as if he and his dependents were not eligible for Medicare benefits.

In the event an insurance company issues a group insurance policy to an employer which includes two or more of the coverage authorized under the general statute, the company shall at the end of each policy year furnish to the employer a summary of the cost of each such coverage.

The employer may reimburse the active employee for his premium charges under Part B of the Federal Medicare Program, covering the employee alone. However, there is nothing in the general statute as compelling an employer to pay any portion of the premium or charges attributable to such contracts.

Finally, any contract in effect on the date of the enactment of this legislation is confirmed until the contract anniversary next following the first anniversary of the effective date of the legislation when such

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contract, exclusive of the group life insurance, will have to conform to the provisions of the legislation.

119.7 EMPLOYER OBLIGATIONS—Under the general statute, the executive officer of any employer who enters into a contract pursuant to the provisions of the statute is required to file a copy with the State Health Benefits Commission.

119.8 STATE HEALTH BENEFITS COMMISSION OBLIGATIONS—The commission will prepare and file periodically, and not less than every 2 years, a report to the Governor and the legislature as to the contracts being entered into by employers under the provisions of the general statute. Such reports shall contain such recommendations concerning contracts as the commission deem appropriate to achieve uniformity of coverage and benefits for employees throughout the State.

119.9 STATUTE AND REPORTS—Provisions of the general statute can be found in N.J.S.A. 40A:9-13 et seq. Copies of the reports of the State Health Benefits Commission may be obtained from the Division of Pensions in Trenton.

119.10 THE 1968 REPORT—The 1968 survey conducted by the Division of Pensions was designed to update the information that had been obtained as a result of the previous surveys and to determine the scope of local practices in the purchase of group insurances. In general, it was found that while many public employers provide basic hospitalization and medical-surgical coverage for their employees, most offer major medical coverage in addition to basic coverage by means of participation in the State Health Benefits Program. Among the specific findings of the 1968 survey: (1) it was apparent that the waiting periods for the several coverages were not designed to discriminate among groups of employees; (2) very few employers purchased insurance on the basis of public specification and bid, but among those who did, most selected the lowest bidder; (3) most employers did not know whether a commission or brokerage fee was paid, or lacked information as to the amount of the charge; and (4) among the liberalizations deemed desirable was the employer's assumption of the cost for the employee or for the employee's dependents.

As a result of the survey, the commission recommended legislation which would (a) avoid discrimination upon the employer's assumption of coverage costs by requiring all employees to be resolicited with respect to their participation in the plan for themselves and their dependents, (b) require public specification and bids in the purchase of insurance whenever a major change in the benefit schedule was contemplated, or at any time if the employer believed that the premium charges for the same benefits could be thereby reduced, and (c) provided for full publicity of costs, including the several items resulting in the specific premium charge, as well as the individual or firm receiving any commissions or fees.

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The commission also recommended as administrative measures: (d) an avoidance of leapfrogging of benefits between one community and another in view of the rising costs of public employee pension and fringe benefit programs, and (e) a full implementation of the provisions of Chapter 204 of the Laws of 1967, designed to eliminate discrimination among employees or dependents and to avoid duplication of benefits and cost.

119.11 THE 1970 REPORT—The 1970 survey was designed to determine the progress made in the 2 previous years, specifically the changes encompassed by Chapter 204 of the Laws of 1967, and if the survey results still warranted the enactment of legislation recommended by the commission in its 1968 report. While there was a substantial increase in the number of employers obtaining insurance coverage on the basis of public specifications and bids, the 1970 survey still reflected that most public employers in the State were obtaining insurances without public bid. Hence, the commission again recommended the legislation which had been part of its 1968 report.

119.12 CHAPTER 421 OF THE LAWS OF 1971—This legislation permits employers to assume the entire cost of insurance coverage for employees and dependents where the employee retired after 25 years or more of service with that employer. The act requires uniform treatment of all eligible pensioners. While the legislation does not have a retroactive effect, it would apply to all pensioners covered in the past, although on a prospective basis. There is no provision for reimbursement, but rather the assumption of the premium payment which would otherwise be required of the retired employee.

119.13 THE 1972 REPORT—The 1972 survey was intended to determine the premium outlay made by local employers as well as the percentage of participation by employers. The survey revealed that the amount of premium paid for the five different insurances had more than doubled since 1964, primarily as a result of increased charges resulting from the rise in medical care costs. Employer participation varied between the different types of coverage from 61 percent to as much as 86 percent. From the results of the survey it was clear that the commission's concern about the manner in which such insurance is provided was properly warranted. The commission again recommended the legislation which had been part of its previous reports.

119.14 THE 1974 REPORT—The 1974 survey was designed to determine the number of employers providing their employees with the different types of benefits permitted under the general statute and the extent of coverages which are being provided without the benefit of legislation. With respect to basic hospital, medical-surgical coverage, 385 public employers were providing such coverage while 856 were participating in the State Health Benefits Program. As to major medical coverage, 288 employers were offering such coverage aside from those

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participating in the State plan. With respect to life insurance, 253 employers were providing some form of coverage beyond the life insurance provisions of State retirement programs. As to accidental death and dismemberment, 187 employers were offering such coverage while 166 provided health and accident coverage, duplicating many of the accidental death and disability protection provisions of State-administered retirement programs.

Forty-three employers indicated that they were providing dental coverage; six employers had arranged for prescription drug programs; optical coverage was being provided by three employers.

It must be appreciated that while NJSA 18A:16-8 et seq. permits boards of education to purchase group insurances, there is no legislation permitting counties, municipalities or public agencies to purchase coverage other than that stipulated in the general statute.

On the basis of such findings the commission again recommended the legislation which had been part of its previous reports.

119.15 CHAPTER 12 OF THE LAWS OF 1975—This legislation permits the State Health Benefits Commission to purchase contracts or to authorize the purchase of contracts to provide prescription drug and other health care benefits as may be required to implement a duly executed collective negotiations agreement. The commission has acted to adopt guidelines for prescription drug, vision care, and dental expense benefits which may be negotiated between public employers and recognized bargaining units of their employees. Any contract falling within the parameters of the guidelines is considered approved for purchase by the commission. Any questions involving provisions of proposed contracts which do not conform to the guidelines should be submitted to the office of the secretary of the commission to determine if the guidelines should be altered. Any contract which does not fall within the guidelines would be considered disapproved by the commission. Chapter 41, P.L. 1976, amended the act to permit the employer to provide such other health care benefits to employees not part of the bargaining unit, so that all eligible employees could be covered under a single contract.

119.16 THE 1976 REPORT—The 1976 survey was designed to determine the number of employers who had acted to provide additional health care benefits under terms of Chapter 12, P.L. 1975. As to dental expense coverage, 112 employers offered such programs, including 75 boards of education, 30 municipalities, 2 counties, and 5 public agencies. With respect to prescription drug coverage, 42 employers were providing such plans of which there were 18 boards of education, 23 municipalities, and 1 public agency. Vision care coverage was offered by 7 employers, including 2 boards of education, 4 municipalities, and 1 public agency. These figures demonstrate the effect of collective bargaining stimulated by the provisions of Chapter 12.

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On the basis of such findings the commission again recommended the legislation which had been part of its previous reports, including for the first time a recommendation that there be one law for all types of public employees, in contrast to separate statutes pertaining to counties and municipalities on one hand and boards of education on the other.

119.17 THE 1978 REPORT—The 1978 survey was designed to consider the trends in previous reports, particularly in the relatively new area of prescription drug, dental expense, and vision care benefits. With respect to prescription drug coverage, 150 public employers offered such a program involving 60,457 employees at an annual premium of $7,202,643. As to dental expense, 227 employers provided coverage for 72,731 employees at an annual premium of $8,086,158. Optical or vision care coverage was offered by 14 employers involving 4,534 employees at an annual cost of $299,128.

On the basis of such findings, the commission again recommended the legislation which had been part of its previous reports, including the recommendation that there be one law for all types of public employers, in contrast to separate statutes pertaining to counties and municipalities on one hand and boards of education on the other.

119.18 CHAPTER 230 OF THE LAWS OF 1979—This legislation, like the act pertaining to the State Health Benefits Commission, permits local employers to purchase contracts to provide prescription drug and other health care benefits as may be required to implement a duly executed collective negotiations agreement, or as may be required to provide such benefits to employees not included in bargaining units.

119.19 THE 1980 REPORT—The 1980 survey was designated to consider the trends in all types of coverages purchased by local governments. With respect to health insurance, of the 1,377 reporting agencies (out of 1,645), 909 were in the State Health Benefits Program while 351 had other plans. In addition to basic coverage, 307 also provided major medical coverage. As to life insurance, 241 were providing coverage beyond the life insurance provisions of State retirement programs; 132 offered accidental death and dismemberment; 103 provided health and accident coverage.

With respect to prescription drug coverage, 287 public employers offered such a program to 84,596 employees at an annual premium of $6,839,684. As to dental expense, 390 employers provided coverage for 106,433 employees at an annual premium of $15,795,168. Optical or vision care coverage was offered by 61 employers involving 21,282 employees at an annual cost of $957,981.

The substantial increase in the prescription drug, dental expense, and vision care coverages demonstrated that the guidelines established by the State Health Benefits Commission had not retarded the opportunity for negotiating such benefits in the public sector. The commission again recommended the legislation which had been part of its previous reports.

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SECRETARIAL SERVICES

120. OFFICE OF SECRETARIAL SERVICES—The Chief and Assistant Chief of the Office of Secretarial Services of the Division of Pensions serve as Secretary and/or Assistant Secretary of the boards of trustees of the Teachers' Fund and the Public Employees' Retirement System. Similar relationships exist for the secretaries of the other pension boards or commissions.

The following describes the work performed by this integral unit of the Division of Pensions, dividing the discussion between administrative responsibilities other than investment, and specifically, the investment procedure which is uniquely the problem of the board Secretary.

120.1 ADMINISTRATIVE RESPONSIBILITIES OF THE OFFICE OF SECRETARIAL SERVICES—The administrative responsibilities of the Office of Secretarial Services involve primarily the preparation of agenda for board action and the maintenance of the minutes pertaining to such meetings as such properly reflect the decisions made by the board and, accordingly, the notices which the Secretary will direct to the parties involved in these determinations.

In the performance of such administrative duties the Secretary conducts all correspondence for the respective board. As such work normally is restricted to the unusual case or matters upon which previous decisions have not been rendered or regulations promulgated, the Secretary is often required to conduct informal meetings with the respective parties concerning the membership, benefit, and contribution provisions of the retirement system; this is essentially a fact-gathering effort in order to adequately present the matter as part of the board's agenda.

120.2 BOARD AGENDA—The Secretary of the respective system or his assistant compiles all material to be considered at the regular monthly meeting of the board, once he has arranged for such a meeting at the office of the Division of Pensions. Each board normally meets on a specific day every month, other than 1 month during the summer vacation period. The material the Secretary will present for the board's consideration is normally directed to him on the basis of the work performed by the respective administrative sections. For example, a list of all retirements for age and service, indicating amounts and effective dates are reported to him by the Retirement Bureau. All disability applications which have been processed by the Disability Review Section by the time that the board meeting is to be held are forwarded to him by that section. All questions raised by the Enrollment and Claims Bureau on matters of precedent or policy are presented by that bureau, or by any other bureau within its respective realm of responsibility.

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Similarly, the financial statements and any other statistical data which are reflected in the agenda are supplied by the Bookkeeping Section and other units of the Office of the Chief Accountant.

Since the agenda are often quite lengthy, the Secretary or his assistant will forward portions of the material as preagenda long before the board meeting in order to give the members an opportunity to review the material which will be discussed at the forthcoming meeting. Such preagenda are normally forwarded to each trustee member at least 1 week prior to the meeting date.

While the continuity of board membership may be broken by the election of new trustees, the Secretary's role in the work of the board provides for such continuity. The Secretary keeps the board informed of past decisions in parallel or similar circumstances involving cases under current consideration.

120.3 MINUTES—On the basis of the determinations made by the board at the meeting the Secretary will prepare the minutes of the meeting, reflecting in such minutes all the necessary agenda material which served as the information upon which the determinations were made. The Secretary is called upon to summarize the discussion so that intelligent use can be made of the minutes at a subsequent time. A complete and accurate record of all such board proceedings is maintained by the Secretary or his assistant in his office and is available to all parties who are involved.

120.4 NOTICES OF BOARD DETERMINATIONS—As the Secretary prepares the minutes of the board meeting, he promptly notifies the respective parties of the determinations rendered by the trustees in their particular case. He likewise informs the Director of the Division, as well as all other supervisors, of any relevant actions taken by the trustees which would affect the administration of the respective system.

120.5 RULES AND REGULATIONS—The Secretary maintains a current compilation of the rules and regulations of the board of trustees and can furnish a copy of same to any interested party.

120.6 HEARINGS—All board decisions are subject to administrative and judicial review. The administrative hearing procedure involves a timely appeal from the decision by the applicant and the approval of a hearing by the board. Following board approval of a hearing, the Division of Administrative Law is notified in writing for the scheduling of a hearing. The Secretary or his assistant may serve as a source of information at the hearing or as a witness in any legal action which might follow if the appellant pursues the matter in the courts.

120.7 COMPULSORY RETIREMENT—Most of the retirement statutes prescribe that the board will retire a member upon his attainment of the mandatory retirement age as specified in the law. For members of

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the Public Employees' Retirement System, the Office of Field and Counseling Services obtains the necessary retirement information from the Retirment Bureau in advance of the mandatory retirement date and advises all members approaching such retirement age, as well as their respective employers, of the statutory obligation. In those cases where the employer can act to continue the services of an employee for a stipulated period beyond such mandatory retirement age, the Office of Field and Counseling Services advises the employer of this possibility, indicating the rules prescribed by the board for the receipt of timely advice from the employer as to the continuance of any member. Members of the Teachers' Pension and Annuity Fund must retire no later than the close of the school year (July 1) preceding their 71st birthday; extensions of employment beyond this school year are not allowed by regulation of the board.

120.8 **DISABILITY RETIRANTS**—The Disability Review Section provides for the annual reexamination of disability retirants. All the information pertaining to a retirant who is found to be no longer disabled is forwarded to the Secretary for presentation to the board for its consideration.

The Secretary provides for the annual review of earnings reported by disability retirants and, following board action, causes the necessary adjustments in their retirement allowances where earnings exceed the statutory limitations.

120.9 **TRUSTEE ELECTIONS**—The Secretary will advise the Chief of Administrative Services of elections to be conducted for trustee positions on the board and reports the results of such elections, whether such be at an annual meeting of delegate representatives of the membership or by means of any mail ballot election.

121.1 **INVESTMENT AND OTHER FINANCIAL RESPONSIBILITIES OF THE OFFICE OF SECRETARIAL SERVICES**—A most significant part of the day-to-day responsibilities of the Office of Secretarial Services involves cash control, investment transactions, and voucher approvals pertaining to the monies of the respective retirement system. Such activities are reflected in the monthly agenda of the board.

121.2 **CASH CONTROL**—The Secretary prepares annual, monthly, and other periodic forecasts of receipts and disbursements. He maintains daily control of the cash bank balances and informs the Director of the Division of Investment of all cash available for investment for either short-term or long-term periods depending on current and future needs. Such control matters are reflected in the board agenda in the form of summary of the daily reports, the short-term investments, the cash released for investment, the 30-day cash release report, and the current cash position, as well as the annual or periodic forecast of cash receipts and disbursements.

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As in all systems, the Director of Investment is furnished with a statement of cash available for investment. Such statement is prepared by the Secretary on the basis of information supplied to him by the Bookkeeping Section and other units of the Office of the Chief Accountant and by anticipating receipts (such as employee and employer contributions, interest payments, and maturities) and disbursements (such as the pension payroll, withdrawals, death claims, and loans) and the maintenance of a reasonable working balance necessary to meet the current needs of the respective system.

121.3 **INVESTMENT TRANSACTIONS**—On the basis of the annual cash forecast, the investment of the funds of the retirement system is made in consideration of the long-term objectives established by the State Investment Council, the agency which determines the portfolio distribution of each system. A schedule of long-term and short-term purchases is established at the beginning of each year and modified according to the most attractive opportunities which become available. The Director of the Division of Investment selects the investment which complies with the council's regulations and which satisfies the maturity requirements of the system. The Division then executes the transaction.

Bills itemizing the investment purchase are forwarded to the Secretary. He will forward a copy of the investment bill to the Cash Receipts Section, who will transmit a copy to the the Bookkeeping Section. The Bookkeeping Section then credits the appropriate account. The Division of Investment telephones the bank involved detailing the investment transaction which results in a wire transfer of the amount of investment from the bank to the broker handling the investment. The bank then advises the Secretary that the security has been received and that the system's account has been credited.

The Division of Investment has established common trust funds which combine, for the purpose of investment, monies appropriate to several pension funds. As such the income accrues to the benefit of the participating funds, and ownership in the trust fund is in the form of units which are evidenced by certificates issued by the Director of the Division of Investment. All interest and cash dividends received by the trust are distributed monthly to the participating systems in proportion to the number of units owned by each plan. Any appreciation is likewise distributed in proportion to the units owned.

121.4 **VOUCHER APPROVALS**—The Secretary or his assistant is empowered by the respective board to approve all vouchers covering the expenditure of monies and the payment of withdrawal, loan, death, and retirement benefits, and the purchase of investments. Such expenditures are reflected in the statement of receipts and disbursements included in the monthly agenda.

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121.5 ANNUAL REPORTS—The Secretary secures the necessary financial and statistical information from the Office of the Chief Accountant and through the Office of the Chief of Administrative Services provides for the preparation and duplication of the annual report of the board. Such annual report contains the Secretary's summary of the major legislative changes affecting the retirement system and any other vital information, such as pertinent opinions of the Attorney General or decisions of the courts. It likewise contains a statement of the latest actuarial valuation and the Actuary's summary of his findings. The Secretary may also include a comparative statement showing the growth of the system with respect to membership, retirements, assets, and liabilities.

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EMPLOYER OBLIGATIONS

122. **EMPLOYER OBLIGATIONS**—The State and local governmental employers have distinct obligations under terms of several statutes pertaining to the respective employee benefit programs. Such obligations are indicated below as they apply to the several systems, distinguishing between the obligation payable by the State and those payable by local employers.

It will be noted that all of the retirement systems provide for the accrual of interest charges where employer payments are delinquent, and some likewise provide for the payment of penalties by the employer who does not remit the employees' contributions in a timely manner. Such interest charges for delinquent employer contributions are prescribed in order to do equity to those employers who do pay timely and likewise to obtain the funds which the Actuary assumed would be available by the due date in his projection of pension costs payable by all employers as given in his valuation. In the same manner, and for the same reason, interest penalties are imposed upon employers who do not remit the contributions deducted from the compensation of participating employees. All employers should appreciate that the timely transmittal of contributions and reports is vital to the operation of the respective retirement system because any delinquent report serves to prevent the system from performing its work in processing claims. The result is only to impose additional workloads upon those employers whose reports are delinquent since they will be required to prepare lengthy and additional individual certifications if the system is to process claims made by their employees.

An additional obligation imposed upon all employers is the filing of an enrollment application in a timely manner by those individuals who are required to enroll in the retirement systems. In the major systems the employer will be liable for one-half of the employee's obligation in addition to the employer's obligation to the pension fund if an enrollment application is processed more than 1 year after the compulsory enrollment date. When an employer is confronted with an employee who refuses to sign an enrollment application, he must advise the employee that it is a condition of employment. The employer is then required to complete an enrollment application to the extent of the information available to him; on the basis of such incomplete information, the enrollment application will be processed and pension deductions certified at maximum rates. An adjustment in such rates and deductions will be made following the receipt of a completed application as signed by the member.

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122.1 STATE'S OBLIGATION, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—The State pays annually a normal contribution to the retirement system. This contribution is determined each year on the basis of the annual valuation by the Actuary as the percentage of future compensation of members, which will support the pension and death benefits payable by the system, which are not met by future accrued liability contributions and the funds in hand available for such benefits. An additional employer contribution is payable on account of veteran members because of the special benefits payable to them.

The monies appropriated for payment of the premium for the noncontributory life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium estimated by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to the group insurance premium fund, which is administered by the State Treasurer.

The State has completed the liquidation of the accrued liability on account of prior service credit for its employees. The State is making accrued liability payments to cover additional liabilities on account of service rendered prior to July 1, 1971; such payments are made for a period of 40 years with the first payment in the fiscal year commencing July 1, 1972.

122.2 LOCAL EMPLOYER OBLIGATIONS, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Local employers also pay annually a normal contribution to the retirement system.

Some local employers have completed the liquidation of the accrued liability on account of prior service credit for their employees. Payments are being made by most other participating counties, municipalities, and public agencies to liquidate the accrued liability on account of prior service credit of their employees. Such payments are included with those to cover additional liabilities on account of service rendered prior to July 1, 1971; such payments are made for a period of 40 years with the first payment in the fiscal year commencing July 1, 1972.

Pursuant to the terms of Chapter 169, P.L. 1956, a number of public employers have terminated locally-administered pension funds, following a successful referendum on the question of social security coverage, and transferred the assets and liabilities of the former fund to the State system. The members receive credit in the State system for the credit established in the terminated fund, and accordingly, the liability for the credit established on behalf of transferring members or for pensions payable to transferring retirants and their beneficiaries is calculated and certified as an additional liability to be paid by such specific employers.

122.3 ADMINISTRATIVE FEES, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—In each fiscal year the Chief of Administrative Services of the Division of Pensions prepares a detailed statement for

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direct and indirect administrative expenses incurred by the Division and pro rata charges of the Division of Investment and which are attributable to the various systems, allocating such charges between those prescribed for State employees as distinguished from those attributable to members employed by local employers. As a State agency the State establishes the administrative appropriation as it does for any other State operation and, in turn, the payment of the pro rata administrative expenses by local employers constitutes revenue ot the State as a reimbursement for such expense.

The administrative fee applicable to local employers in the Public Employees' Retirement System is based on the percentage of membership that local employer members bear to the total membership, and this is thus reflected based on the number of active members enrolled from each locality.

122.4 ACTUARIAL FEES, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—Included in the pro rata payment of administrative expense is the normal charge for actuarial services performed by the designated Actuary of the retirement system. However, when the accrued liability for prior service is computed for the first time, or if the accrued liability for veteran prior service credit had to be recalculated on the basis of additional charges to be paid by the locality, or if a special valuation of the locality's liabilities is prescribed, a special charge of actuarial expense is reflected on the bill submitted by the retirement system. This will vary in terms of the amount of actuarial work that was required for the special valuation.

122.5 INVOICE FORM, PUBLIC EMPLOYEES' RETIREMENT SYSTEM—The invoices are prepared upon the receipt of the Actuary's valuation and are forwarded prior to the preparation of the county, municipal, or public agency budget. The bills are normally mailed in December for payment July 1. Any delay in payment of the full bill beyond July 30 of the following year results in the accrual of an interest charge at the rate of 6 percent per annum.

Normally, once any of the accrued liability items has been established, it is not likely to change from year to year unless a special valuation is prescribed because of the award of additional prior service credit to veterans or nonveteran members, or due to a change in the statute. The normal contribution for veterans and nonveterans will likely change from year to year as salaries change, but the increase should not be substantial unless salaries have been materially altered from the previous year or unless legislation has been enacted which provides for an increase in the normal costs paid by all employers.

The invoice has seven preprinted items with a space available to print additional items by computer. For some entities, on recent invoices it is necessary to add Unpaid Delayed Enrollment Liability and Unpaid Pension Shortages. A short explanation of these items is given below:

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a. Nonveteran Membership Service—This constitutes the normal contribution on behalf of nonveterans as determined by the Actuary using the rate and salary in effect that year.

b. Nonveteran Accrued Liability Charge to employer for free membership credit granted to nonveteran employees covering periods prior to July 1, 1971.

c. Veteran Membership Service—This constitutes the normal contribution on behalf of veteran members. It is separate from nonveterans because veterans have special benefit privileges.

d. Veteran Accrued Liability—Charges to employer for free membership credit granted to veterans covering periods prior to July 1, 1971.

e. Noncontributory Insurance Premium—This constitutes the payment due from the locality for noncontributory group life insurance coverage.

f. Administrative Expense—This represents the pro rata administrative fee payable by the locality.

g. Actuarial Fees—This is not normally reflected on most bills, but if a special valuation is in order for veteran or nonveteran members of the retirement system employed by the locality, such special expense attributable to the particular locality will be reflected in this part of the bill.

In addition there may be Delayed Enrollment and/or Unpaid Pension Shortages if there are any for which no payment has been received.

If the certifying officer receiving the invoice notices any particular change from the previous bill and desires an explanation of the change, he should contact the Supervisor of the Bookkeeping Section of the Division of Pensions and request an appointment to review the detailed valuation received from the Actuary as it applies to the locality. In most cases a general explanation is sufficient since it usually involves a change due to an amendment to the statute pertaining to a liberalization of benefits, and such general explanation is normally forwarded in a statement from the supervisor transmitting the invoices.

122.6 STATE'S OBLIGATION, TEACHERS' PENSION AND ANNUITY FUND—The State pays annually a normal contribution determined each year on the basis of the annual valuation by the Actuary as the percentage of compensation of the members, exclusive of the compensation of veteran members employed on January 1, 1955, which will support the pensions and death benefits payable by the system, which are not met by future accrued liability contributions and the funds in hand available for such benefits.

The monies appropriated for the payment of the premiums for the noncontributory groups life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium estimated by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to

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the group insurance premium fund, which is administered by the State Treasurer.

The State is making accrued liability payments to cover additional liabilities on account of services rendered prior to July 1, 1970; such payments are made for a period of 40 years with the first payment in the fiscal year commencing July 1, 1971. The State also pays similar normal and accrued liability contributions for State employees who are members of the fund.

122.7 LOCAL EMPLOYER OBLIGATIONS, TEACHERS' PENSION AND ANNUITY FUND—Each employer of a veteran member employed on January 1, 1955, pays a contribution to cover the total liability determined as of such date for such members on account of past service and all prospective service not then covered by State contributions and by the past and prospective contributions to be made by the members. Such payments are made for a period of 30 years, with the first payment in the fiscal year commencing July 1, 1957. In accordance with the legislation eliminating the social security offset these payments were proportiontely adjusted, effective July 1, 1967, to cover the additional liability incurred on account of the elimination of the offset for such teachers.

Under the statute an employer is obligated to notify the Teachers' Fund within 10 days of the employment of a person eligible for membership in the fund. If an employer does not file an enrollment application for an eligible employee within 1 year of the employee's compulsory enrollment date, the employer will be responsible for payment to the Teachers' Fund of the employer liability, together with interest at 6 percent per annum, which the State would have paid to the fund had the employee been promptly enrolled.

The State is obligated to pay the administrative expenses attributable to the operation of the Teachers' Pension and Annuity Fund, but the statute requires each employing school district to reimburse the State for a proportionate share of the amount paid by the State for such expense. This proportion is computed as the number of members in each district bears to the total number of members in the system.The pro rata share of the cost of the administrative expense is included in the amounts to be deducted from State aid payable to such employing school districts, and this likewise is the means for the payment of all local employer obligations to the fund.

122.71 ADDITIONAL LOCAL EMPLOYER OBLIGATIONS, TEACHERS' PENSION AND ANNUITY FUND—State agencies and many school districts are participating in programs financed by the Federal Government. On or before September 1 of each year, the Director of Pensions certifies to the Commissioner of Education the percentage of salaries to be appropriated by such agencies and the districts, based on

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the most recent actuarial valuations and the current social security tax rate. These monies are to cover the costs of pension, group life insurance, social security, and other benefits provided by State-administered systems, as such costs are attributable to the Federally financed programs. The Commissioner of Education will notify all employers of the percentages, and the employer shall, within 90 days after the close of the next fiscal year, reimburse the State in the amount of the increased cost from funds received from the Federal Government.

Such reimbursement would be paid to the State for increases in contractual salaries reported to the Teachers' Pension and Annuity Fund and social security as such salaries are reflected on the Quarterly Reports of Contributions to the fund and on the Unit 002 Social Security Wage Reports. Where the additional employee benefit costs are imposed directly upon the employer, involving additional noncontractual compensation for members of the Teachers' Fund or services rendered by employees who are not eligible for membership in the Teachers' Fund, employers should likewise provide for recovery since the Federal statutes permit the cost of such benefits to be charged against the Federal grant.

122.8 STATE'S OBLIGATION, STATE POLICE RETIREMENT SYSTEM—The State pays annually a normal contribution to the retirement system. This contribution is determined each year on ths basis of the annual valuation by the Actuary as a percentage of salary which, if it had been paid from the time each member was employed until his termination of employment date, with the member's own contributions would provide for his benefits. In addition, the State pays an amount which, if it is paid each year for 40 years commencing with July 1, 1972, will provide all benefits not provided by the normal contribution plus future contributions by the members and after considering the assets in hand available for such benefits.

The monies appropriated for payment of the premiums for the group life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium estimated by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to the group insurance premium fund, which is administered by the State Treasurer.

122.9 STATE'S OBLIGATION, PRISON OFFICERS' PENSION FUND—The State appropriates a sufficient amount each year to support the pensions and death benefits payable by the fund. This is a system which has been closed to new employees for some time, and its assets are employed to defray the cost of pensions on a current basis.

123.1 STATE'S OBLIGATION, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND—With the establishment of the Consolidated Police and Firemen's Pension Fund in 1952, the State began making a special liability payment equal to one-third of the annual

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amount which is determined to be necessary to bring the fund into a state of actuarial solvency. Such payments are to be made annually until July 1, 1991.

123.2 LOCAL EMPLOYER OBLIGATIONS, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND—As of July 1, 1952, all pension funds which had been established under the 1920 legislation were transferred to the Consolidated Fund. Each employer contributes each year 6 percent of the total salary of all its eligible employees; this is the employer's normal contribution.

Each employer also contributes each year its share of two-thirds of the annual amount which is determined to be necessary to bring the fund into a state of actuarial solvency. Such special liability payments are to be made for a period of 30 years. This payment is made on the basis of semiannual billings as discussed below.

123.3 ADMINISTRATIVE FEES, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND—The State pays the administrative expense attributable to the fund. The State is reimbursed on a pro rata basis by participating employers in the proportion that their active and retired members and their beneficiaries bear to the total number of such members and beneficiaries covered by this closed system.

123.4 INVOICE FORMS, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND—There are two invoice forms related to the semiannual billings received by participating employers as explained below.

123.41 INVOICE FORM, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND, JANUARY 1 BILLING—The invoices are prepared upon receipt of the Actuary's valuation and are forwarded to local employers prior to the preparation of the county or municipal calendar year budget. The bills are normally mailed in December for payment not later than January 1. If payment is not made within 30 days of the January 1 due date, statutory interest of 6 percent per annum accrues on the unpaid balance.

The invoice covers one-half of the Semiannual Deficit Payment. This constitutes one-half of the accrued liability payment for the year as calculated by the actuary in his valuation.

123.42 INVOICE FORM, CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND, JULY 1 BILLING—The second billing for the year is forwarded to local employers prior to July 1 and is due July 1. If payment is not made within 30 days of the July 1 due date, statutory interest of 6 percent per annum accrues on the unpaid balance.

The invoice covers the following items:

a. Employer's Normal Contribution—The normal contribution is calculated at 6 percent of the salaries of all members in the employing agency for the previous fiscal year.

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b. Semiannual Deficit Payment—This constitutes one-half of the accrued liability payment for the year as calculated by the Actuary in his valuation.

c. Administration Fees—These constitute one-half of the pro rata administrative fees which are payable by the locality for the entire year.

123.5 THE STATE'S OBLIGATION, POLICE AND FIREMEN'S RETIREMENT SYSTEM—The State contributes at a uniform percentage of the payroll of its members, computed to be sufficient with members' contributions to support the regular benefits of the system not met by future accrued liability contributions and funds in hand available for such benefits.

The monies appropriate for payment of the premiums for the noncontributory group life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium estimated by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to the group insurance premium fund, which is administered by the State Treasurer.

The State is also required to make accrued liability payments to cover additional liabilities on account of service rendered prior to July 1, 1971; such payments are to be made for a period of 40 years commencing July 1, 1972.

The State also pays an additional amount constituting an increase in the normal contribution in meeting the cost of Chapter 109, P.L. 1979, and this is payable after applying interest earnings towards meeting the State's liability. In any year that the State's liability exceeds the value of the additional employee contribution of 1 percent of salary and the use of the interest earnings, or if the State's liability is exceeded by such income, the State Treasurer can recommend an increase or decrease in employee contributions, as the case may be, for action by the legislature.

123.6 LOCAL EMPLOYER OBLIGATIONS, POLICE AND FIREMEN'S RETIREMENT SYSTEM—Local employers contribute at a uniform percentage of the payroll of their members, computed to be sufficient with members' contributions to support the regular benefits of the system not met by future accrued liability contributions and the funds in hand available for such benefits.

The monies appropriated for payment of the premiums for the noncontributory group life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium estimated by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to the group insurance premium fund, which is administered by the State Treasurer.

Local employers are also required to make accrued liability payments to cover additional liabilities on account of service rendered prior to July 1, 1971; such payments are made for a period of 40 years with the first payment in the fiscal year commencing July 1, 1972.

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123.61 ADMINISTRATIVE FEES, POLICE AND FIREMEN'S RETIREMENT SYSTEM—The State pays the administrative expense attributable to the system. However, each employer reimburses the State by paying a pro rata share of such expense. The proportion is computed as the ratio of the number of members in the locality bears to the total number of members in the system.

123.7 INVOICE FORM, POLICE AND FIREMEN'S RETIREMENT SYSTEM—The invoices are prepared upon receipt of the Actuary's valuation and are to be forwarded to the local employer prior to the preparation of the county or municipal budget. The bills are normally mailed in November for payment on or before March 31. Any delay in payment of the full bill beyond March 31 of the following year will result in the accrual of an interest charge at the rate of 6 percent per annum from the due date of January 1.

Normally, once any of the accrued liability items have been established they are not likely to change from year to year unless a special valuation is prescribed because of the award of additional prior service credit or a change in the statute. The normal contribution will likely change from year to year as salaries change, but the increase should not be substantial unless salaries have been materially altered from the previous year or unless legislation has been enacted which provides for an increase in the normal costs paid by all employers.

The invoice calls for five items which could be indicated on any particular bill:

a. The Normal Contribution—This constitutes the normal contribution on behalf of members for the service accrued in the previous year.

b. Accrued Liability Contribution—This involves the accrued liability payment to cover additional liabilities on account of service and benefits provided prior to July 1, 1971.

c. Group Life Insurance Premium—This constitutes the payment due from the locality for group life insurance coverage.

d. Administrative Expense—This represents the pro rata administrative expense payable by the locality.

e. Actuarial Fees—A charge for employers being valued for the first time or for employers whose accrued liability has been revalued.

For some employers it is necessary to add Unpaid Delayed Enrollment Liability and Unpaid Pension Shortages.

123.8 STATE'S OBLIGATION, JUDICIAL RETIREMENT SYSTEM—The State pays annually a normal contribution to the retirement system. This contribution is determined each year on the basis of the annual valuation by the Actuary as a percentage of salary which, if it had been paid from the time each member was employed until his termination of employment date, would provide for his benefits. In addition,

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the State pays an amount which, if it is paid each year for 40 years commencing with July 1, 1974, will provide all benefits not provided by the normal contribution and after considering the assets in hand available for such benefits. The State is reimbursed by counties to the extent of services rendered by members of the State judiciary to such counties.

The monies appropriate for payment of the premiums for the group life insurance coverage are held separate from the retirement system monies, and the amount required to pay the annual premium by the carrier is deducted from the normal contribution certified for payment to the retirement system and paid to the group insurance premium fund, which is administered by the State Treasurer.

123.9 STATE'S OBLIGATION, CENTRAL PENSION FUND—The State appropriates a sufficient amount each year to support the pensions and death benefits payable to former State employees, their beneficiaries, and to war veterans with specific disabilities.

The State also pays the appropriate percentage of salary indicated by the Newark City Employees' Retirement System for those State employees who are members of the local system.

124. STATE'S OBLIGATION, ALTERNATE BENEFIT PROGRAMS—Alternate Benefit Programs established at public institutions of higher education include those established for New Jersey College of Medicine and Dentistry, Rutgers, the State University, the New Jersey Institute of Techonology, the Department of Higher Education, and for the State and county colleges. The State makes the contribution for such benefit programs appropriate to participants in the Alternate Benefit plans at these institutions.

124.1 STATE'S OBLIGATION, PENSION ADJUSTMENT PROGRAM—The State may appropriate each year an amount sufficient to provide adjustments under terms of the Pension Adjustment Act payable to retired members and their survivors of the Teachers' Pension and Annuity Fund, to former State employee members and their survivors of the Public Employees' Retirement System, and to former State employee members and their survivors of other State systems.

124.2 LOCAL EMPLOYER OBLIGATIONS, PENSION ADJUSTMENT PROGRAM—If the State does appropriate monies for payment of adjustments under the Pension Adjustment Act, other public employers are likewise liable to provide adjustments payable to their former employee members and their survivors of the Public Employees' Retirement System, the Police and Firemen's Retirement System, and the Consolidated Police and Firemen's Pension Fund.

Certain locally-administered pension programs have likewise adopted pension adjustment plans on behalf of retired members of such systems, and they constitute additional liabilities payable by these specific employers.

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The State pays the administrative expense attributable to the program involving State-administered systems. The State may be reimbursed on a pro rata basis by participating employers in the proportion that their retired members and survivors bear to the total number of retired members and survivors receiving such adjustments.

124.3 LOCAL EMPLOYER OBLIGATIONS, NONCONTRIBUTORY PENSIONS—Local employers are obligated to appropriate amounts sufficient to pay pensions pursuant to any resolution which the governing body may have adopted in accordance with the General Noncontributory Act. They may likewise be obligated to pay certain war veterans retired under terms of the Veterans' Retirement Act.

Certain other employers may be obligated under special pension legislation to pay pensions to specific, retired employees or their beneficiaries.

124.4 LOCAL EMPLOYER OBLIGATIONS, CONTRIBUTORY PENSIONS—Specific counties and municipalities have additional pension obligations with respect to contributory programs which are locally administered.

124.5 STATE'S OBLIGATION, SOCIAL SECURITY—The State appropriates annually an amount sufficient to meet the employer's share of the cost of the social security tax on behalf of State employees. It likewise appropriates an amount sufficient to pay the employer's share of the obligation on behalf of members of the Teachers' Pension and Annuity Fund reported through Unit 002 reports by school districts throughout the State. Such monies payable on behalf of members of the Teachers' Fund are included in the amounts to be deducted from State aid payable to the employing school districts.

124.6 LOCAL EMPLOYER OBLIGATIONS, SOCIAL SECURITY—Every public employer in the State is obligated to pay the employer's share of the social security tax on behalf of those employees who are properly covered under the Federal-State program. These monies and the possible pro rata administrative fees are remitted on a quarterly basis.

124.7 STATE'S OBLIGATION, STATE HEALTH BENEFITS PROGRAM—The State appropriates annually sufficient funds to meet the employer's share of the cost attributable to those State employees who are enrolled in the State Health Benefits Program. The State pays the full cost of coverage for the employee and his dependents. These premiums are remitted to the respective carriers.

Upon application the State also refunds the Part B Medicare charges to active employees for themselves and their spouses, provided they are enrolled under the complete Federal Medicare Plan. The State

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also pays the cost of coverage for the State employee and his dependents covered under the program where the employee retired from a State-administered retirement system July 1, 1964, or thereafter on a benefit based on 25 years or more of credited service or for disability, excepting the employee who elected deferred retirement or survivors. The State also refunds the Part B Medicare charges to such retired employees for themselves and their spouses.

124.8 LOCAL EMPLOYER OBLIGATIONS, HEALTH BENEFIT PROGRAMS—Almost every public employer in the State provides some form of health benefit program for his employees. Many employers participate, at the option of the governing body, in the State Health Benefits Program. Under terms of Chapter 125, P.L. 1964, the employer is obligated to pay the cost of the employee's coverage as provided under the plan, but also may pay all or any part of the cost of dependent coverage elected by the enrolled employee. The employer is likewise obligated to reimburse the employee age 65 or more, for himself and his spouse, who is enrolled under both Parts A and B of the Federal Medicare Plan and who requests such refund of charges under Part B of that plan. Local employers participating in the State Health Benefits Program, at the option of the governing body, may also pay the cost of coverage for the employee and his dependent under the plan where the employee covered by the program retired from a State or locally-administered system on a benefit based on 25 years or more of credited service, or for disability, excepting the employee who elected deferred retirement or survivors. The local employer may also refund the Part B Medicare charges to such retired employees for themselves and their spouses. The local employer may also pay the pro rata administrative expense fee.

Any other program of health benefits is adopted by local employers pursuant to the terms of Chapter 180, P.L. 1960, as amended and supplemented. Under terms of this legislation an employer entering into a health insurance contract is authorized to pay part or all of the premiums. However, in the case of retired employees and their dependents, the retired employee is required to pay an amount not less than the amount which would have been required to have been paid by him and his employer for the coverage had he continued in employment, except that the employer may pay such premiums for all eligible pensioners who retire with 25 years or more of service with the employer.

124.9 STATE AND LOCAL EMPLOYER OBLIGATIONS, UNEMPLOYMENT COMPENSATION—The State and local employers are required to pay the employer's share of the cost of the experience engendered by eligible employees who are covered under unemployment compensation, remitting such payments to the Division of Employment Security.

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124.10 STATE AND LOCAL EMPLOYER OBLIGATIONS, OTHER EMPLOYEE BENEFITS—The State and local employers may negotiate other employee benefits for which funding is required during the course of the year. Such include prescription drug, dental expense, and vision care benefits in accordance with the provisions of Chapter 12, P.L. 1975. The State or local employers appropriate annually the monies sufficient to pay the employer's share of the cost, remitting such premium payments to the respective carriers.

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POLICE AND FIREMEN'S PENSION FUNDS

125. THE POLICE AND FIREMEN'S PENSION FUNDS BUREAU—The Police and Firemen's Pension Funds Bureau has its functions divided between the four systems which it administers jointly with other administrative bureaus of the Division of Pensions. Such systems include the Police and Firemen's Retirement System about which information is detailed beginning with 126, the State Police Retirement System whose structure is described beginning with 131, the Prison Officers' Pension Fund discussed in 136, and the Consolidated Police and Firemen's Pension Fund reviewed beginning with 137.

Each of these retirement systems is represented by a board of trustees or commission comprised of elected and appointed members while the State Treasurer serves as an ex-officio member of each.

Each board or commission is served by its secretary; by law the Secretary of the Police and Firemen's Retirement System and the State Police Retirement System is the Chief of the Bureau of Police and Fire Pension Funds. The Chief of the bureau also serves as Secretary of the Consolidated Police and Firemen's Pension Fund, while another officer of the bureau serves as Secretary of the Prison Officers' Pension Fund.

The work of the largest of these four systems, the Police and Firemen's Retirement System, is functionalized among the administrative bureaus of the Division while the Bureau of Police and Fire Pension Funds does most of the work related to the other programs. Each system is served by Data Processing, and all pension payrolls are prepared by the Disbursement Section of the Accounting Bureau. Retirement and purchase calculations and disability claims are processed by the Retirement Bureau. Enrollments are certified by the Enrollment Section, while life insurance and withdrawal claims are processed by the Claims Section, and loans are prepared for payment by the Loan Section of the Enrollment and Claims Bureau. All bookkeeping transactions and the preparation of financial statements are performed in the Bookkeeping Section. The Audit Section of the Accounting Bureau reviews the Quarterly Reports of Contributions and the monthly transmittals.

126. POLICE AND FIREMEN'S RETIREMENT SYSTEM, INTRODUCTION—The Police and Firemen's Retirement System of New Jersey became effective on July 1, 1944, under terms of Chapter 255 of the Laws of 1944. This act required membership in the system of all

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newly employed, eligible employees of municipalities whose policemen and firemen had been covered previously under Chapter 160 of the Laws of 1920. In effect the Police and Firemen's Retirement System was established by terminating membership in the local municipal police and firemen pension funds established under the 1920 legislation.

By 1944 it was clear that the 1920 legislation had not safeguarded the financial structure of the local pension funds, and in an effort to curtail the ever-increasing liabilities of such local funds, membership was closed to new employees who were to be enrolled in the modern system established on an actuarially determined, fully funded, reserve basis. The new system would also permit referenda among other municipalities wishing to adopt a pension program for their eligible policemen and firemen. On the basis of such referenda adjusted prior service is paid for by the community over a fixed statutory period, while each municipality is also required to make a normal contribution towards meeting the cost of the liabilities incurred in the previous year.

The adoption of such a referendum involves the transfer of eligible employees from the Public Employees' Retirement System to the Police and Firemen's Retirement System. In such case the transferred member will establish identical service credit in the latter fund.

Legislation in 1973 and in 1975 extended membership to many employees who have police powers in the counties, State, and State agencies.

127. **ENROLLMENTS**—Enrollment in the Police and Firemen's Retirement System is restricted to eligible policemen and firemen. Such employees include any permanent and full-time active uniformed employee and any permanent and full-time active employee who is a detective, lineman, fire alarm operator, or inspector of combustibles of any police or fire department. It also means any permanent and full-time active officer employee for the State of New Jersey with police powers and holding one of the following titles: motor vehicles officer, sergeant, lieutenant, captain, assistant chief and chief, Bureau of Enforcement in the Division of Motor Vehicles; inspector, investigator, assistant deputy and deputy director, Bureau of Enforcement in the Division of Alcoholic Beverage Control; conservation officer, assistant district, district, and chief conservation officer in the Division of Fish, Game, and Shell Fisheries; ranger and chief ranger in the Bureau of Parks; marine patrolman, senior and principal marine patrolman, and chief, Bureau of Marine Law Enforcement; correction officer, senior, sergeant, lieutenant, correction captain, and deputy keepers in the Division of Correction and Parole; medical security officer, assistant supervising and supervising medical security officer in the Department of Human Services; county detective, lieutenant, captain, deputy chief and chief of county detectives, and county investigator in the Office of the County Prosecutors; sheriff's officer, sergeant, lieutenant, captain, chief sheriff's

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officer, and sheriff's investigator in the Office of the County Sheriffs; county correction officer, sergeant, lieutenant, county correction captain, and county deputy warden in the several county jails; industrial trade instructor and identification officer in a county of the first class having a population of more than 925,000 inhabitants; cottage officer, head cottage officer, interstate escort oficer, juvenile officer, head, assistant supervising, supervising juvenile officer; patrolman Capitol police; patrolman institutions, sergeant and supervising patrolman Capitol police; patrolman institutions, sergeant and supervising patrolman institutions, and patrolman or other police officer of the Board of Commissioners of the Palisades Interstate Park appointed pursuant to R.S. 32:14-21.

Enrollment is compulsory for all employees holding such titles and is a condition of employment. Since enrollment is subject to a statutory age maximum as well as physical requirements, it is imperative that a candidate for police or fire duty satisfy eligibility for membership in the retirement system before the employer makes any commitment to the individual involving tenure of office or position.

127.1 ENROLLMENT, AGE AND PHYSICAL REQUIREMENTS—The age maximum for membership and for municipal appointment is defined in N.J.S.A. 43:16A-3 and N.J.S.A. 40:47-4 respectively. Moreover, a veteran has certain privileges with respect to the age maximum under terms of N.J.S.A. 38:23A, and in those instances where this privilege is employed to qualify a candidate, his military discharge certificate should accompany the enrollment application. Employees other than municipal police and fire personnel may not be subject to an age maximum for appointment but are subject to the age maximum specified by the retirement statute. In the event such employee is legally appointed, but cannot qualify as to age or physical requirements of the Police and Firemen's Retirement System, he may be eligible for membership in the Public Employees' Retirement System.

The physical requirements of the retirement system are indicated on a separate form which is part of the enrollment application. The municipality's official physician or the department physician must complete these items of examination and offer his opinion as to the candidate's ability to perform his police and fire duties, and that he is in good health sufficient to satisfy the Police and Firemen's Retirement System. The system may require further testing by its medical examiners if there is any question arising from the report of the municipal physician.

127.2 THE ENROLLMENT APPLICATION—Part I of the application requests the name and address of the applicant, his date of birth, and information regarding his possible beneficiaries. While no evidence supporting his date of birth is necessary at enrollment, it is assumed that the certifying officer has had the advantage of such evidence and that it has become part of the department's records. In identifying a wife as

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beneficiary, care should be taken to supply her full name rather than employing the given name of the husband.

The enrollment date is the first day of the month. The member can enroll as of his probationary appointment. He is required to enroll 4 months after his permanent appointment date. Applications received in the interim between his probational and permanent appointments may indicate the first day of a month current to the filing of the application.

The member should carefully determine the designation of beneficiaries. A contingent designation should be made as well as a primary designation in the event the primary beneficiary does not survive the member. Designations can be changed at any time by the member by filing the appropriate designation of beneficiary form with the retirement system. Instructions for the completion of the enrollment application are contained thereon.

Part II of the application is the certification of the employer as to the applicant's position, appointment, and salary. In the case of a State employee his social security and payroll numbers are required.

127.3 EMPLOYEE CONTRIBUTIONS—The member's rate of contribution is based on his age determined at the effective date of his enrollment. A transferred member would contribute at a rate appropriate to his age at enrollment in the first system. The rates of contribution are applied to gross base salary, excluding bonus, maintenance, or any other allowance.

127.4 RATE CHART, POLICE AND FIREMEN'S RETIREMENT SYSTEM—

Entrance Age	Rates of Contribution	Entrance Age	Rates of Contribution
20	7.73%	38	9.57%
21	7.83	39	9.66
22	7.93	40	9.74
23	8.03	41	9.83
24	8.14	42	9.92
25	8.25	43	10.01
26	8.38	44	10.10
27	8.50	45	10.20
28	8.63	46	10.29
29	8.75	47	10.37
30	8.88	48	10.44
31	8.98	49	10.50
32	9.07	50	10.55
33	9.15	51	10.58
34	9.24	52	10.60
35	9.32	53	10.61
36	9.41	54	*10.62
37	9.49		

*Maximum

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128. CONTRIBUTIONS AND ACCOUNTING—The total of the pension contributions taken is forwarded monthly to the Division of Pensions by each covered employer using the Monthly Transmittal of Contributions form. Before the conclusion of the calendar quarter, the Division of Pensions prepares a quarterly summary of the deductions which were appropriate to each member and forwards such reports to the municipality for adjustment and return. After making the necessary changes, the municipality forwards the Transmittal of Contributions as well as the Quarterly Report of Contributions.

The entire procedure pertaining to such reports and transmittals is similar to that followed for members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System and is described in 50-58. Any differences which are unique to the Police and Firemen's Retirement System are also described.

Following the audit of the reports by the Contributions Accounting Bureau of the Division, the individual accounts are updated for the calendar quarter including any miscellaneous transactions which may have occurred in this accounting period. The records thereby established serve as the basis for processing loans, withdrawals, death claims, and retirements.

128.1 CERTIFICATIONS—All changes involving certifications to employers are made by the Division to such employers. Such certifications involve the beginning of payroll deductions for pension, changes in the initial rate of contribution, loans and arrears schedules, and changes in such schedules, etc. The Quarterly Reports filed with the county or municipality will reflect such certifications.

128.2 STATEMENT OF ACCOUNT—Annually a statement of account is furnished to each member indicating the balance of his account with respect to the value of his contributions and any balances due to loans or arrearages. The statement also identifies the months of service credit accrued for each member.

128.3 BOOKKEEPING AND INVESTMENT—The Police and Firemen's Retirement System maintains its depository and custodial accounts with a selected bank within the State.

As in all systems the daily bank balance is furnished with a statement of cash available for investment. Such statement is prepared by the secretary by anticipating receipts (such as employee and employer contributions, interest payments, and maturities) and disbursements (such as the pension payroll, withdrawals, death claims, and loans) as well as a reasonable working balance necessary to meet the current needs of the system.

The Division of Investment is thereby advised of any sums available for investment, and that Division arranges for such investments.

Bills itemizing the investment purchase are forwarded to the secre-

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tary who prepares a check and forwards the check and the covering voucher to the Cash Control Section of the State. This section delivers the check to the Division of Investment which arranges for the delivery of the security to the custodial bank. The bank then advises the system that the security has been received and the system's account has been credited.

Each month the bookkeeper of the system prepares statements indicating the position of the various funds in the form of a statement of income and disbursement and a balance sheet.

A complete set of double entry records is maintained in accordance with accepted accounting practice. The accounts and procedures are compatible with those of the other systems administered by the Division of Pensions.

128.4 **ACTUARIAL**—Data stored in the magnetic tape records maintained by Data Processing are annually supplied to the consulting Actuary. Each year the Actuary's report results in an annual valuation of the assets and liabilities of the fund and reflects the amortization of the unfunded liabilities of the system. Periodic studies by the Actuary review the tables used by the system in its calculations with recommendations for adjustment in the tables where such is deemed necessary.

129. **CLAIMS**—The material pertaining to claims deals with death benefits as well as withdrawals and loans.

129.1 **DEATH BENEFITS, DEFINITIONS—**

"Children" means a deceased member's or retirant's unmarried children under the age of 18 or of any age who, at the time of the member's or retirant's death, are disabled because of mental retardation or physical incapacity, are unable to do any substantial, gainful work because of the impairment, and the impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

"Compensation" means the salary upon which contributions by the member were based in the last year of creditable service, although in the case of accidental death, specific survivor benefits are to be computed at the annual rate of salary.

"Parent" means a parent of a deceased member who was receiving one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death.

"Widow" means the woman to whom a member or retirant was married at least 2 years before the date of his death and to whom he continued to be married until the date of his death. The remarriage of the widow following the member's or retirant's death will terminate her eligibility. In the event of accidental death, the 2-year qualification will be waived.

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"Widower" means the man to whom a member or retirant was married at least 2 years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least one-half of his support from the member or retirant in the 12-month period immediately preceding the member's or the retirant's death or the accident which was the direct cause of the member's death. The remarriage of the widower following the member's or retirant's death will terminate his dependency status. In the event of accidental death the 2-year qualification will be waived.

129.2 GROUP LIFE INSURANCE—If the death of a member takes place while he is in service, his named beneficiary or his estate receives 3 1/2 times the member's final compensation. All of the contributions made by the member during his lifetime will also be paid to the beneficiary; however, in the event a pension is payable to a survivor in the case of service-connected death, the payment of the member's contributions is waived in lieu of such pension, although the value of the member's contributions establishes a minimum to be distributed under either benefit.

A member who retires is protected by a death benefit of one-half compensation. This would be paid to the beneficiary designated by the retired member.

129.3 GROUP LIFE INSURANCE, CONDITIONS AND PAYMENTS—A member will be covered by the noncontributory group life insurance while on an official leave of absence without pay in accordance with the following: (a) a maximum period of 2 years if the leave is due to the member's personal illness; (b) a maximum period of 1 year if the leave is for the member's maternity, for fulfilling residency requirements for an advanced degree, or as a full-time student at an institution of higher education, and (c) a maximum of 93 days if the leave is for any other reason. A member who is receiving periodic benefits under Workers' Compensation or similar law is also covered by the noncontributory group life insurance. The insurance benefits are in effect where a member applies for disability benefits within 30 days following the termination of employment and dies within 30 days after the date of retirement or the date of board approval, whichever is later.

The death benefits under the group life insurance plans may be designated to be paid in:

(a) Lump sum—where provision is made for lump sum payment of benefits, the beneficiary may elect to receive them in installments or as a life annuity instead. The one-half benefit payable in the event of death after retirement must be paid as lump sum.

(b) Installments for a Certain Period of Time—should the beneficiary die before all the payments have been made, the remaining value will be paid in a lump sum to the beneficiary's estate.

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(c) Life Annuity—the value of the annuity will be determined by the benefit amount and the life expectancy of the beneficiary; payment will cease at the death of the beneficiary.

129.4 BENEFICIARY DESIGNATION—A member may file and alter from time to time the designation of beneficiary or beneficiaries he wishes to receive the benefits of the program. A member may name any person, institution, trust, or his estate as primary or contingent beneficiary. He may also designate and change from time to time the method he wishes to apply to such payment. All designations and elections must be on forms provided by the system and filed with it.

129.5 ACCIDENTAL DEATH—The surviving widow or widower of a member who dies from an accident met in the actual performance of duty receives a pension of 50 percent of the member's compensation. If there is no widow, or widower or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of compensation to 3 or more children, 35 percent to 2 children, and 20 percent to one child. If there is neither widow, widower, nor child, one dependent parent of the member will receive 25 percent of compensation; if two such parents survive, 40 percent will be paid.

129.6 DEATH AFTER RETIREMENT—The surviving widow or widower of a retired member will receive an annual pension of 25 percent of the member's average final compensation, plus 15 percent of such compensation for one child, or 25 percent for 2 or more such children.

If there is no widow or widower, or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of average final compensation to three or more children, 35 percent to 2 children, and 20 percent to one child.

129.7 WITHDRAWALS AND LOANS—A member who resigns, is dismissed, or for some reason terminates his employment and ceases to be a policeman or fireman before qualifying for a benefit, receives the total of his contribution made to the system.

Part I of the withdrawal application is completed by the member; part II requires a certification by the certifying officer of the employer. Checks are prepared and forwarded to the Cash Control Section with a voucher and mailed by that section to the withdrawing member.

A member may borrow from the system if he has at least 3 years of contributing credit established in his membership account, is under age 55, and repays such loan before reaching age 55 at 4 percent interest, does not make more than two loans in any one calendar year, and is actively employed when the application for the loan is filed. A member may borrow amounts from $50 up to one-half of his aggregate contributions; payments will be deducted from his pay and cannot exceed 25 percent of his salary. Payments must equal the member's full normal pension

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deduction. The value of any unpaid loan must be paid in one sum at retirement.

130. RETIREMENT BENEFITS—Applications for service retirement, whether they be for age and service, special retirement, or for deferred retirement, and applications for accidental or ordinary disability are presented to the board of trustees for approval. After approval a number is assigned, and the appropriate benefit
is calculated. The information relating to the benefit is given to the Disbursement Section where the item is entered on the pension payroll.

130.1 RETIREMENT FOR AGE AND SERVICE—A member may retire at age 55; no minimum service requirement must be established. The amount of the pension will be equal to 2 percent of the member's average final compensation for each year of service up to 30 years, plus 1 percent for each year of creditable service in excess of 30 or 1/60 of average final compensation multiplied by the number of years of his creditable service, whichever is greater. Retirement is compulsory at age 65.

130.2 SPECIAL RETIREMENT—Special retirement is permitted for members who have 25 years or more of creditable service in the retirement system. There is no age requirement.

The retirement formula provides 60 percent of average final compensation for the first 25 years of creditable service and 1 percent for each year of such service thereafter. A maximum allowance of 65 percent of average final compensation applies to members who, on July 1, 1979, did not have more than 30 years of creditable service.

130.3 DEFERRED RETIREMENT—Deferred retirement is available to any member who has established 15 years or more of creditable service in the system and who has not attained the normal retirement age of 55 at the time he leaves police or fire duty. Benefits will be deferred until the member reaches age 55; the regular service retirement formula will apply. At any time between electing deferred retirement and age 55, the member can cancel his retirement application and withdraw his contributions. If death occurs before the attainment of age 55, a return of the member's contributions is payable.

130.4 ACCIDENTAL DISABILITY RETIREMENT—A member who becomes permanently and totally disabled as a direct result of a traumatic event occurring during, and as a result of, his performance of regular or assigned duty, and not as a result of his willful negligence, and is mentally and physically incapacitated for the performance of any other available duty which his employer is willing to assign to him, may retire or be retired on an accidental disability retirement. The amount of the retirement benefit is equal to two-thirds of his compensation at the time of the accident. Such application for accidental disability must be

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filed within 5 years of the accident, but unusual circumstances of delayed manifestation or other circumstances beyond the control of the member may be considered by the board of trustees.

130.5 ORDINARY DISABILITY RETIREMENT—A member who has at least 5 years of creditable service and who becomes mentally or physically incapacitated for the performance of his usual duty or any other available duty to which his employer is willing to assign him, may retire or be retired on an ordinary disability retirement. The amount of the pension is subject to a minimum benefit equal to 40 percent of the member's average final compensation. If the member's years of creditable service, as multiplied by 1.5 percent of average final compensation for each such year, exceeds the minimum, a larger benefit will be payable.

130.6 APPLICATION FOR DISABILITY RETIREMENT—Special application forms are required for disability retirement, a three-part form for ordinary disability and a four-part form for accidental disability.

(a) Part I—Basic application form upon which the employee enters identifying data, indicates his request for either ordinary or accidental disability, stipulates the effective date, designates beneficiary, and affixes his signature. The application requires a notary's signature and seal.

(b) Part II (Reverse side of part I)—The first two questions are completed by all applicants and constitute the applicant's personal statement supporting his claim. The next four questions must be completed by the applicant for accidental disability in which such applicant describes the traumatic event or accident. He is advised that an applicant for such benefits will be retired on ordinary disability, if eligible, should the board deny the application for accidental disability, but find that he is indeed totally and permanently disabled and should be retired.

(c) Part III—Employer's certification of disability which also requires a history of the member's absences due to illness during the 5 years preceding retirement, both with and without pay. A statement outlining the duties applicable to the member's position is provided, and the fact that ordinary disability will be granted if accidental disability is disapproved, is reiterated.

(d) Part IV—This form is required only for accidental disability claims and is the employer's certification concerning the accident. Information regarding the time, date, and place of the occurrence is required, a statement of the duties being performed at the time of the accident must be added, and the employer must certify whether or not the accident was the result of willful negligence, and if he feels that the employee is totally and permanently incapacitated for further performance of his duties.

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131. STATE POLICE RETIREMENT SYSTEM, INTRODUCTION—The State Police Retirement System of New Jersey became effective July 1, 1965, under terms of Chapter 89 of the Laws of 1965. This act repealed the statute governing the former State Police Retirement and Benevolent Fund while protecting the rights and privileges of the members, active or retired, and the beneficiaries, present or prospective, of the former fund. The act governing the former fund can be found in N.J.S.A. 53:5 while the act governing the system is given as Chapter 5A of Title 53.

The former fund had been established as a result of legislation adopted in 1925 and, consequently, by 1965 contained many archaic provisions which called for modernization and liberalization. The Division of State Police also contracted with an insurance carrier in 1925 for a contributory life insurance program, supplementing the benefits provided under the pension plan. This policy later served as a model for the more modern group insurance programs to be provided in most retirement systems.

While the benefit schedule of the former fund was largely liberalized as a result of this new legislation, benefits promised in the past were not reduced. The benefit schedule therefore distinguishes in some cases between benefits available to members and beneficiaries of members of the former fund in contrast to those payable to members first employed July 1, 1965, and thereafter. Moreover, the sizeable financial liabilities of the former fund were assumed under the new system to be met by accrued liability payments to be made by the State over a period of 40 years.

132. ENROLLMENT—The enrollment procedure is closely designed to meet the recruitment activities of the Division of State Police. New recruits for the State Police are trained for specified periods and thereafter appointed. Upon appointment such recruits are enrolled in the retirement system as a condition of employment.

132.1 ENROLLMENT APPLICATION—Part I of the enrollment application is completed by the trooper. The applicant is requested to supply his name, address, date of birth, marital status, and to list his dependents. The enrolling member is directed to name primary and contingent beneficiaries to receive all of the death benefits which would not be specifically directed to a particular survivor, such as a widow, child, or parent. The applicant is requested to indicate whether he wishes to enroll in the Supplemental Annuity Program, and his signature completes the first part of the application.

Part II of the application is completed by the certifying officer who is the executive officer or the person designated by the Superintendent of State Police. Information is obtained regarding the employee's badge number, title, annual salary, annual maintenance allowance, and enlistment date which are certified.

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Upon receipt of the enrollment application, it is processed by the Division of Pensions preparing the necessary actuarial and accounting records and the assignment of the membership number for the system.

132.2 EMPLOYEE CONTRIBUTIONS—Since all members of the retirement system are required to pay a flat rate of 7.5 percent of salary, no certification of payroll deductions is initially made by the Division of Pensions. The personnel officer of the Division of State Police conveys the actual payroll information to the Centralized Payroll Unit.

133. CONTRIBUTIONS AND ACCOUNTING—The total of pension contributions taken is forwarded to the Division of Pensions by the Centralized Payroll Unit and credited by the bookkeeper of the system. At the conclusion of the calendar quarter, the Centralized Payroll Unit summarizes the deductions made by all members and forwards magnetic tape records and lists to the Division for audit and reconciliation. When the itemization of individual accounts is performed, the tape is used to update the individual membership records. These records serve as a basis for processing loans, withdrawals, death claims, and retirements.

133.1 CERTIFICATIONS—All changes involving certifications to the employer are made by the Division of Pensions to the Division of State Police. Such certifications involve the beginning of payroll deductions for pension, changes in loans and arrears schedules, etc. A copy of such certifications is directed to the State Centralized Payroll Unit so that they can be properly considered when the payrolls are prepared.

133.2 STATEMENT OF ACCOUNT—Annually a statement of account is furnished to each member indicating the balance of his account with respect to the value of his contributions, balance due to loans or arrearages, and the months of service credit accrued.

133.3 BOOKKEEPING AND INVESTMENT—The State Police Retirement System maintains its depository and custodial records with a selected bank within the State, banking and investing by mail service.

As in all systems the daily bank balance is furnished with a statement of cash available for investment. Such statement is prepared by the secretary by anticipating receipts (such as employee deductions, interest payments, and maturities) and disbursements (such as pension payroll, withdrawals, death claims, and loans)
as well as a reasonable working balance necessary to meet the current needs of the system.

The Division of Investment is thereby advised of any sums available for investment, and that division arranges for such investments.

Bills itemizing the investment purchase are forwarded to the secretary who prepares a check and forwards the check and the covering voucher to the Cash Control Section of the State. This section delivers the check to the Division of Investment which arranges for the delivery of

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the security to the custodian bank. The bank then advises the system that the security has been received and that the system's account has been credited.

Each month the bookkeeper of the system prepares statements indicating the position of the various funds in the form of a Statement of Income and Disbursement and a balance sheet.

A complete set of double entry records is maintained in accordance with accepted accounting practice. The accounts and procedures are compatible with those of the other systems administered by the Division of Pensions.

133.4 **ACTUARIAL**—Data stored in the magnetic tape records maintained by Data Processing are annually supplied to the consulting actuary. Each year the Actuary's report results in an annual valuation of the assets and liabilities of the fund and reflects the amortization of the unfunded liabilities of the system over a 40-year period. Periodic studies by the Actuary review the tables used by the system in its calculations with recommendations for adjustments in the tables where such is deemed necessary.

134. **CLAIMS**—The material pertaining to claims deals with death benefits as well as withdrawals and loans.

134.1 **DEATH BENEFITS, DEFINITIONS—**

"Children" means a deceased member's unmarried or retirant's children under the age of 18 or of any age who, at the time of the member's or retirant's death, are disabled because of mental retardation or physical incapacity, are unable to do any substantial, gainful work because of the impairment and the impairment has lasted or can be expected to last for continuous period of not less than 12 months, as affirmed by the medical board.

"Parent" means a parent of a deceased member who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The marriage of the parent following the member's death will terminate his dependency status.

"Final Compensation" means the average compensation received by the member in the last 12 months of creditable service, including the value of the member's maintenance allowance for the same period.

"Final Salary" means the average salary received by the member in the last 12 months of creditable service.

"Widow" means the woman to whom a member or retirant was married before he attained 55 years of age and to whom he continued to be married until the date of his death. The remarriage of the widow following the member's or retirant's death will terminate her benefit.

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134.2 DEATH BEFORE RETIREMENT—The surviving dependent widow of a member receives a pension of 50 percent of the member's final compensation. If there is no widow, or if she dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of final compensation to 3 or more children, 35 percent to 2 children, and 20 percent to one child. If there is neither widow nor child, one dependent parent of the member will receive 25 percent of final compensation; if 2 such parents survive, 40 percent will be paid.

134.3 ACCIDENTAL DEATH—The surviving dependent widow of a member who dies from an accident met in the actual performance of duty, within 5 years of such accident, receives a pension of 50 percent of the member's final compensation. If there is no widow, or if she dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of final compensation to 3 or more children, 35 percent to 2 children, and 20 percent to one child. If there is neither widow nor child, one dependent parent of the member will receive 25 percent of final compensation; if two such parents survive, 40 percent will be paid.

134.4 DEATH AFTER RETIREMENT—The surviving widow of a retired member shall be paid a pension equal to 50 percent of the member's final compensation for use of herself and children of the deceased member.

If there is no widow or if the widow dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of final compensation to 3 or more children, 35 percent to 2 children, and 20 percent to one child.

134.5 GROUP LIFE INSURANCE—If the death of a member takes place while he is in service, his named beneficiary or his estate receives 3 1/2 times the member's final compensation. All of the contributions made by the member during his lifetime will also be paid to the beneficiary. However, in the event a pension is pay
able to a survivor, the payment of the member's contributions is waived in lieu of such pension, although the value of the member's contributions establishes a minimum to be distributed under either benefit.

A member who retires is protected by a death benefit of one-half of his final compensation. This would be paid to the beneficiary designated by the retired member.

Those members who were insured under the former contract held by the Division of State Police prior to July 1, 1965, may elect, at retirement, to make additional contributions to purchase coverage constituting the difference in benefits equivalent to those provided under the former contract for retired members and that provided under the present plan. In most cases, such difference is minimal or nonexistent.

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134.6 GROUP LIFE INSURANCE, CONDITIONS AND PAYMENTS—A member will be covered by the noncontributory group life insurance while on an official leave of absence without pay in accordance with the following: (a) a maximum period of 2 years if the leave is due to the member's personal illness; (b) a maximum period of 1 year if the leave is for fulfilling residency requirements for an advanced degree or as a full-time student at an institution of higher education; and (c) a maximum of 93 days if the leave is for any other reason. A member who is receiving periodic benefits under Workers' Compensation or similar law is also covered by the noncontributory group life insurance. The insurance benefits are in effect where a member applies for disability benefits within 30 days following the termination of employment and dies within 30 days after the date of retirement or the date of board approval, whichever is later.

The death benefits under the noncontributory group life insurance plan may be designated to be paid in:

(a) Lump sum—where provision is made for lump sum payment of benefits, the beneficiary may elect to receive them in installments or as a life annuity instead. The one-half benefit payable in the event of death after retirement must be paid as a lump sum.

(b) Installments for a certain period of time—should the beneficiary die before all the payments have been made, the remaining value will be paid in a lump sum to the beneficiary's estate.

(c) Life annuity—the value of the annuity will be determined by the benefit amount and the life expectancy of the beneficiary; payment will cease at the death of the beneficiary.

134.7 BENEFICIARY DESIGNATION—A member may file and alter from time to time the designation of beneficiary or beneficiaries he wishes to receive the benefits of the program. A member may name any person, institution, trust, or his estate as primary or contingent beneficiary. He may also designate and change from time to time the method he wishes to apply to such payment. All designations and elections must be on forms provided by the system and filed with it.

134.8 WITHDRAWALS AND LOANS—A member who resigns, is dismissed or for some reason terminates his employment before qualifying for a benefit, receives the total of his contributions made to the system.

Part I of the withdrawal application is completed by the member. Part II requires a certification by the certifying officer. Checks are prepared and forwarded to the Cash Control Section with a voucher and mailed by that section to the withdrawing member.

A member may borrow from the system if he has at least 3 years of contributing credit established in his membership account, is under age 55 and repays such loan before reaching age 55 at 4 percent interest, does

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not make more than two loans in any one calendar year, and is actively employed when the application for the loan is filed. A member may borrow amounts from $50 up to one-half of his aggregate contributions; payments will be deducted from his pay and cannot exceed 25 percent of his salary. Payments must equal the member's full normal pension deduction. The value of any unpaid loan at retirement must be paid in one sum.

135. RETIREMENT BENEFITS—Applications for service retirement, whether they be for age and service, special retirement, or for deferred retirement, and applications for accidental or ordinary disability are presented to the board of trustees for approval. After approval a number is assigned, and the appropriate benefit is calculated. The information relating to the benefit is given to the Disbursement Section where the item is entered on the pension payroll. In the benefits discussed below, the effort again was made to preserve the rights of members of the former fund, and this accounts for some differences in the formulas employed for retirement for age and service.

135.1 RETIREMENT FOR AGE AND SERVICE—A member who was a member of the former fund may retire at age 50 after the completion of at least 20 years of creditable service. The amount of the pension will be 50 percent of the member's final compensation. For each year in excess of 25 years of creditable service, the member will receive an additional 1 percent of such final compensation. A member must retire after 25 years of service and the attainment of age 55.

A member who was employed since July 1, 1965, may retire at age 55; no minimum service requirement must be established. The amount of the pension will be equal to 2 percent of the member's final compensation for each year of service up to25 years, plus 1 percent for each year of creditable service in excess of 25.
Retirement is compulsory at age 55 but not before the member has established 25 years of creditable service.

135.2 SPECIAL AND DEFERRED RETIREMENT—Should a member resign after having established 25 years of creditable service as a full-time commissioned officer, noncommissioned officer, or trooper of the Division of State Police, he may elect special retirement in lieu of age and service requirement. Such a member shall receive a total retirement allowance equal to 60 percent of his final compensation plus 1 percent of final compensation for each year of creditable service over 25 years, but not more than 35 years.

Deferred retirement is available to any member who has established 15 years or more of creditable service in the system and who has not attained the normal retirement age of 55 at the time he leaves the State Police. Benefits will be deferred until the member reaches age 55; at such time the regular retirement formula will apply. At any time between

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electing deferred retirement and age 55 the member can cancel his retirement application and withdraw his contributions. If death occurs before the attainment of age 55, a return of the member's contributions is payable.

135.3 ACCIDENTAL DISABILITY RETIREMENT—A member who becomes permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of his performance of regular or assigned duty and not as a result of his willful negligence, and is mentally or physically incapacitated for the performance of any other available duty that the Superintendent of the State Police is willing to assign to him, may retire or be retired on an accidental disability retirement. The amount of the retirement benefit is equal to two-thirds of his final compensation. Such application for accidental disability must be filed within 5 years of the accident, but unusual circumstances of delayed manifestation or circumstances of continued, restricted employment may be considered by the board of trustees.

135.4 ORDINARY DISABILITY RETIREMENT—A member who has at least 4 years of creditable service and who becomes mentally or physically incapacitated for the performance of his usual duty and of any other duty made available to him by the Superintendent of the State Police, and such incapacity results in his total and permanent disability for causes other than an accident while on duty, may retire or be retired on an ordinary disability retirement. The amount of the pension is subject to a minimum benefit equal to 40 percent of the member's final compensation. If the member's years of creditable service, as multiplied by 1.5 percent of final compensation for each such year, exceed the minimum, a larger benefit will be payable.

135.5 APPLICATION FOR DISABILITY RETIREMENT—Special application forms are required for disability retirement, a three-part form for ordinary disability, and a four-part form for accidental disability.

(a) Part I—Basic application form upon which the employee enters identifying data, indicates his request for either ordinary or accidental disability, stipulates the effective date, designates beneficiary, and affixes his signature. The application requires a notary's signature and seal.

(b) Part II (Reverse side side of part I)—The first two questions are completed by all applicants and constitute the applicant's personal statement supporting his claim. The remaining questions must be completed by the applicant for accidental disability in which such applicant describes the traumatic event or accident. He is advised that an applicant for such benefits will be retired on ordinary disability, if eligible, should the board deny the application for accidental disability, but find that he is indeed totally and permanently disabled and should be retired.

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(c) Part III—Employer's certification of disability which also requires a history of the member's absences due to illness during the 5 years preceding retirement, both with and without pay. A statement outlining the duties applicable to the member's position is provided, and the fact that ordinary disability will be granted if accidental disability is disapproved, is reiterated.

(d) Part IV—This form is required only for accidental disability claims and is the employer's certification concerning the accident. Information regarding the time, date, and place of the occurrence is required, a statement of the duties being performed at the time of the accident must be added, and the employer must certify whether or not the accident was the result of willful negligence, and if he feels that the employee is totally and permanently incapacitated for further performance of his duties.

136. PRISON OFFICERS' PENSION FUND, INTRODUCTION—Chapter 220 of the Laws of 1941 established the Prison Officers' Pension Fund, permitting prison officer members of the then State Employees' Retirement System to transfer to the new fund.

This legislation was prompted by the nature of the work performed which was considered comparable to that of the State Police or police and firemen employed by the State, counties, and municipalities throughout the State.

136.11 COVERAGE—A "Prison Officer" is defined as any prison officer, reformatory officer, farmer guard, disciplinarian, identification prison officer, center keeper, marshal, superintendent, chief deputy, head farmer, herdsman, truck farmer, commissary officer, any uniformed officer, trade instructor, and any employee who has the custody of inmates in State penal institutions and appointed prior to January 1, 1960.

Since January 1, 1960, this fund has been closed to new employees so that all new employees are enrolled in the Public Employees' Retirement System.

Membership in the fund shall continue for all present members as long as their positions continue to be in the State Department of Human Services.

136.12 COVERAGE, INSTITUTIONS—Members of the fund are employed in institutions located throughout the State. They are Trenton State Prison, Bordentown Youth Correctional Institution, Annandale Youth Correctional Institution, Leesburg State Prison, Rahway State Prison, and Yardville Youth Reception and Correction Center.

136.21 CONTRIBUTIONS, PAYROLL REPORTS—Each payroll period the employing institution sends a statement to the secretary of the fund concerning the following payroll changes: changes in salary, title or

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value of maintenance—effective dates; transfers—effective dates; suspensions—effective dates, number of days, amount due; leaves of absence without pay—effective dates; adjustments—effective dates, amounts due; supplemental payrolls; salary checks returned. All changes are posted to the members' ledger cards.

136.22 **CONTRIBUTIONS, QUARTERLY REPORTS**—Magnetic tape records are received from the State Centralized Payroll Unit by Data Processing. This tape is processed in order to verify that the amount of contributions equals the amount of receipts for that period. The Quarterly Report is forwarded to the Accounting Bureau by the State unit. The report indicates the payroll period, payroll number, pay period number, membership number, percent rate, the actual salary for the biweekly pay period, the normal contribution, the arrears payment, and the total contribution. This information is summarized for each member for the number of pay periods in the quarter. The amount of the member's contributions is posted to the member's ledger card which is maintained in the files of the fund.

136.3 **BOOKKEEPING**—With respect to Cash Receipts, the returned checks, the biweekly employee contribution checks received from the State Centralized Payroll Unit, and the State Contributions are deposited; all checks are individually listed in the Cash Book. Bond maturities and interest on investments are actually received and deposited by the bank.

With respect to Cash Disbursements, in the case of a contribution refund or the return of the member's contribution upon withdrawal, entries are made in the Cash Disbursement Book as well as on the member's ledger card. Pension payments are recorded on the first of every month. The books are closed monthly, and financial statements are prepared.

136.4 **FINANCING**—With the closing of the fund to new employees in 1960, it was determined that the financing of the liabilities of this fund would be on a pay-as-you-go basis with the State appropriating each year sufficient funds to meet the needs of the system for the annual period. The Prison Officers' Pension Fund was never established on an actuarially determined or reserve basis, and it is the only unfunded contributory pension plan for State employees.

136.5 **PENSION PAYROLL**—The payroll is prepared in duplicate by Data Processing. The original copy is for the payroll record book; the carbon copy is retained as a work sheet in the preparation of the following month's payroll. All changes are recorded on the carbon copy except changes of address which are recorded on a separate form.

There are retired members for whom deductions are taken for group

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hospitalization, medical-surgical or major medical plans. Such deductions are forwarded by check accompanied by a summary report of the premium due to the plans.

136.61 CLAIMS, WITHDRAWALS—Applications for withdrawals are completed by the resigning member and certified by the business manager of the institution where the member was employed. Upon approval of the withdrawal by the commission, a check is prepared for the amount of the withdrawal as recorded on the member's ledger card and as certified by the employer on the application for withdrawal.

136.62 CLAIMS, DEATH BENEFITS—Upon notice of a member's death, the secretary requests the surviving spouse to complete an application for any death benefits payable, certifying to his age and the ages of any children. Marriage and death certificates are requested.

The claim is presented to the commission for approval. Children or dependent parents may be eligible for benefits. In the event there is no eligible survivor, the member's contributions are payable to his named beneficiary or estate.

136.71 RETIREMENT FOR AGE AND SERVICE—Retirement applications are processed by the secretary's office. Birth and marriage certificates should be attached to the application. After approval by the commission, the name of the retired member is recorded in the retirement register and assigned a retirement number.

A retirement statement is prepared forwarding copies to the member and to the employing institution. The pension is effective on the first day of the month following retirement. The information concerning the new retirant is entered on the pension payroll.

136.72 RETIREMENT FOR DISABILITY—The procedure outlined above for a service retirement is followed. However, the following additional procedure is required to establish medical evidence to qualify an applicant and to support a claim for disability retirement.

The disability retirement application and a report of the applicant's personal physician are forwarded to the Disability Review Section of the Division. The Disability Review Section processes the application in the same manner as all disability claims of the several State pension funds.

The secretary notifies the applicant of the commission's approval or of his right to request a hearing if the application is denied.

137. CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND, INTRODUCTION—Prior to July 1, 1944, there was no State-administered retirement system for policemen and firemen but rather locally-administered programs by counties and municipalities which adopted the provisions of Chapter 160 of the Laws of 1920. When it became apparent that the 1920 legislation had not established sound plans, membership was closed to new employees, who were to be enrolled

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effective July 1, 1944, in the State-administered Police and Firemen's Retirement System. By 1952 the problems confronting the local systems had become almost insurmountable. The remaining assets, if any, memberships, and existing liabilities were transferred to a new State-administered program, the Consolidated Police and Firemen's Pension Fund, established by Chapter 358 of the Laws of 1952. As a result of this consolidation, 212 local funds were combined, the liabilities actuarially determined, and provisions made for the funding by the participating counties and municipalities of two-thirds of the accrued liability with the State paying one-third of such liability. In addition the counties and muncipalities were required to make the normal contribution which was increased along with an increase in the member's contribution. The pensions paid to members and their beneficiaries under terms of the 1920 legislation became the liability of the consolidated plan. It was only in this way that the local funds could be financially rescued and the benefits payable to present and prospective retirants and their beneficiaries assured.

138. **ENROLLMENT**—No new members were enrolled after the establishment of the Police and Firemen's Retirement System in 1944. The membership of the local funds acting under terms of the 1920 legislation was transferred to the Consolidated Fund as a result of the 1952 statute. Membership was fixed as a result of the transfer of the records from the 212 employing units to the State.

138.1 **BENEFICIARIES**—The benefit structure of the Consolidated Police and Firemen's Pension Fund is such that specific benefits are payable to certain beneficiaries, such as widows or widowers, minor children, and dependent parents. There is therefore very little need for the identification of beneficiaries in this system as it might otherwise be in the case of systems which permit payment of benefits to any named beneficiary.

138.2 **EMPLOYEE RATE OF CONTRIBUTION**—The rate of contribution for the membership of the Consolidated Fund is a uniform one expressed as a percentage of salary. This is currently 6 percent of salary and is applied to gross base salary, excluding bonus, maintenance, or any other allowance.

139. **CONTRIBUTIONS AND ACCOUNTING**—The total of the pension contributions taken is forwarded monthly to the Division of Pensions by each covered employer using the Monthly Report of Contributions form. This form is initially prepared by the Division of Pensions based on the report filed by the employer for the previous month. Such report is forwarded to the municipality for adjustment and returned. Following the audit of the report by the Police and Firemen's Pension Funds Bureau, the individual accounts are updated for the month. The records thereby established serve as the basis for processing retirements and death benefit claims.

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139.1 BOOKKEEPING AND INVESTMENT—The Consolidated Police and Firemen's Pension Fund maintains its depository and custodial accounts with a selected bank within the State.

As in all systems, the daily bank balance is furnished with a statement of cash available for investment. Such statement is prepared by the secretary by anticipating receipts (such as employee and employer contributions, interest payments, and maturities) and disbursements (such as the pension payroll) as well as a reasonable working balance necessary to meet the current needs of the fund.

The Division of Investment is thereby advised of any sums available for investment, and that Division arranges for such investments. Bills itemizing the invest
ment purchase are forwarded to the secretary who prepares a check and forwards the check and the covering voucher to the Cash Control Section of the State. This section delivers the check to the Division of Investment which arranges for the delivery of the security to the custodial bank. The bank then advises the fund that the security has been received and that the fund's account has been credited.

Each month the bookkeeper of the fund prepares statements indicating the position of the various funds in the form of a State of Income and Disbursement and a balance sheet. All the accounts are patterned after the proper methods of accounting and procedures prescribed for all pension funds administered by the Division of Pensions.

139.2 ACTUARIAL—Data stored on the magnetic tape records maintained by Data Processing are annually supplied to the consulting Actuary. Each year the Actuary's report results in an annual valuation of the assets and liabilities of the fund and reflects the amortization of the non-funded liabilities of the system. Periodic studies by the Actuary review the tables used by the fund in financing its commitments, with recommendations for adjustments in the tables where such is deemed necessary.

140. BENEFITS—Applications for retirement and death benefits are presented to the commission for approval. After approval a number is assigned, and the appropriate benefit is calculated. The information related to the benefit is given to the Disbursement Section where the item is entered on the pension payroll.

140.1 RETIREMENT FOR AGE AND SERVICE—An active member may retire after 25 years of service. An employee member may retire at age 60 after 25 years of service. The amount of the pension will be equal to 2 percent of the member's average salary for each year up to 30 years plus 1 percent for each year of creditable service in excess of 30 years. Retirement is compulsory for active members at age 65 except that chiefs may be continued by employer action to age 70; where the chief is continued, his benefits will reflect any change in salary but he will not

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receive credit for any years of service beyond age 65. Retirement is mandatory for employee members at age 70.

140.2 ACCIDENTAL DISABILITY RETIREMENT—A member who becomes permanently and totally disabled as a direct result of a traumatic event occurring during and as a result of his performance of regular or assigned duty and not as a result of his willful negligence, and is mentally and physically incapacitated for the performance of any other available duty which his employer is willing to assign to him, may retire or be retired on an accidental disability retirement. The amount of the retirement benefit is equal to two-thirds of his average salary. Such application for accidental disability must be filed within 5 years of the accident, but unusual circumstances of delayed manifestation or other circumstances beyond the control of the member may be considered by the commission.

140.3 ORDINARY DISABILITY RETIREMENT—A member who becomes mentally or physically incapacitated for the performance of his usual duty or any other available duty to which his employer is willing to assign him, may retire or be retired on an ordinary disability retirement. The amount of the pension is equal to 50 percent of his average salary.

140.4 APPLICATION FOR DISABILITY RETIREMENT—Special application forms are required for disability retirement, a two-part form for ordinary disability, and a four-part form for accidental disability. These forms are fairly similar to those employed in the other retirement programs administered by the Division of Pensions.

140.5 DEATH BENEFITS, DEFINITIONS—

"Children" means a deceased member's unmarried children under the age of 18 or of any age who, at the time of the member's death, are disabled because of mental retardation or physical incapacity, are unable to do any substantial, gainful work because of the impairment and the impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the physicians of the fund.

"Parent" means the parent of a member who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The marriage of the parent following the member's death will terminate his dependency status.

"Widower" means the man to whom a member was married before the date of her retirement or at least five years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death. The remarriage of the widower following the member's death will terminate his dependency status.

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"Widow" means the woman to whom a member was married before the date of his retirement or at least 5 years before the date of his death and to whom he continued to be married until the date of his death. The remarriage of the widow following the member's death will terminate her eligibility.

140.6 SERVICE-CONNECTED DEATH—The surviving widow or widower of a member who dies in the line of duty receives a pension of 50 percent of the member's average salary. If there is no widow or widower, or if such person dies leaving children of the member, a pension will be paid to such children at the rate of 50 percent of average salary to 3 or more children, 35 percent to 2 children, and 20 percent to one child. If there is neither widow, widower, nor child, one dependent parent of the member will receive 25 percent of average salary; if 2 such parents survive, 40 percent will be paid.

140.7 NONSERVICE-CONNECTED DEATH BEFORE RETIREMENT—The surviving widow or widower of a member receives a pension of 25 percent of the member's average salary plus 15 percent of average salary for one child, or 25 percent for 2 or more children. If there is no widow or widower, or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of average salary to 3 or more children, 35 percent to 2 children, and 20 percent to one child. If there is neither widow, widower, nor child, one dependent parent of the member will receive 25 percent of average salary; if 2 such parents survive, 40 percent will be paid.

140.8 DEATH AFTER RETIREMENT—The surviving widow or widower of a retired member will be paid an annual pension equal to 25 percent of the member's average salary, plus 15 percent of average salary for one child, or 25 percent for 2 or more such children. If there is no widow or widower, or if such person dies or remarries leaving children of the member, a pension will be paid to such children at the rate of 50 percent of average salary to three or more children, 35 percent to 2 children, and 20 percent to one child.

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ALTERNATE BENEFIT PROGRAMS

141. INTRODUCTION—In most of the private institutions of higher education throughout the United States and Canada, faculty members participate in a program whereby the college and its staff members join in contributing toward individual annuity policies wholly owned by the employees. A separate life insurance company, the Teachers Insurance and Annuity Association of America, was established to pool provisions for retirement income and life insurance through contracts available to faculty members in all schools and in certain other nonprofit educational institutions. Over the years, this program has been almost universally adopted by the major private educational institutions and more recently, by public institutions of higher education. The movement to alter the retirement programs for such employees in New Jersey began in 1965 with the enactment of Chapter 198, P.L. 1965, applicable to the New Jersey College of Medicine and Dentistry. This was followed successively by similar legislation in 1967 on behalf of Rutgers, the State University, the New Jersey Institute of Technology, the State colleges; in 1968, on behalf of the county colleges; and in 1969 on behalf of the Department of Higher Education. These programs replaced the fixed benefit schedules of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System which had been previously available to faculty members in the several schools.

141.1 THE ALTERNATE BENEFIT PROGRAMS—The Alternate Benefit Programs provide money purchase arrangements on the basis of employer and employee contributions for the payment of annuities. These differ from the formula benefits provided by the State-administered retirement system. While there is a substantial service requirement for the payment of deferred retirement benefits in State systems, almost immediate vesting is available to those participating in the Alternate Benefit Programs. Such mobility of pension credit was considered necessary to the recruitment of college personnel. While fixed benefits are provided for disability for those who are members of State-administered retirement systems, the Alternate Benefit Program makes long-term disability income protection available. The State retirement systems and the Alternate Benefit Programs provide group life insurance.

141.2 THE ALTERNATE BENEFIT PROGRAMS AND STATE SYSTEMS—The original legislation adopted in the years 1965-68 provided that all eligible faculty members in the respective schools could transfer their interests in the State systems to the Alternate Benefit Programs, thereby waiving any rights to the benefits previously provided

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to them by the State retirement funds. All new eligible employees were required to enroll in the Alternate Benefit Programs. Amendments adopted in 1968 recognized the problem of new employees who had been previously members of State retirement systems by permitting such members of the Teachers' Pension and Annuity Fund to transfer their membership to the Public Employees' Retirement System, while permitting new employees who were already members of the Public Employees' Retirement System to remain in that State fund. The continuance in a State retirement system with its different benefit and contribution schedules is permitted as long as the new employee waives his rights to the benefits provided by the Alternate Benefit Program. Of course, an employee can elect to transfer to the Alternate Benefit Program and, when eligible for deferred retirement on the basis of the service requirement in the State system, transfer his interest in the State system to the Alternate Benefit plan.

141.3 **VARIABLE ANNUITIES**—While members of State-administered retirement systems may participate in the Supplemental Annuity Collective Trust, which provides for the payment of a variable annuity at retirement, members of the Alternate Benefit Programs have the option to provide for their pensions under the fixed annuities underwritten by the Teachers Insurance and Annuity Association, or to divert all of their contributions and those of their employer's contributions for the purchase of variable annuities through the companion program, the College Retirement Equities Fund.

141.4 **SOCIAL SECURITY**—The benefits provided by the State retirement systems or the Alternate Benefit Programs are supplementary to any benefits payable by the Federal Social Security Administration. However, unlike the consideration that the member of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund receives towards meeting his pension contribution because of the social security taxes he is required to pay, the employee participating in the Alternate Benefit Program pays a flat rate of salary which is in addition to his full social security tax obligation.

142. **ELIGIBLE EMPLOYEES**—Generally, all full-time officers and full-time members of the faculty of the college are permitted to participate in the Alternate Benefit Program. The definition of what constitutes regularly appointed teaching and administrative staff members in applicable academic positions is determined by the Board of Higher Education. In each case, the definition is to be of uniform application. It does include the president, vice president, secretary, and treasurer of each school.

Those faculty members who are considered ineligible for participation, such as part-time faculty as well as all other regular employees of the several schools, are enrolled in the Public Employees' Retirement

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System if they are otherwise eligible for membership in that system. The only exceptions are those employees who were members of the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System at the time the Alternate Benefit Program was adopted and who elected to remain in the Teachers' Fund or the Public Employees' Retirement System by waiving their rights to the benefits in the Alternate Benefit Program. Generally, "full-time" has been defined as to include those who are receiving compensation of 50 percent or more of the base salary that they had been eligible to receive at the time they were granted a sabbatical or a leave of absence. Also excluded are those faculty members who are temporarily in the United States under an F or J visa or anyone receiving an annuity from TIAA based on public service or from any public retirement program established under any law of this or any other State.

An employee who is appointed in a temporary capacity for 1 school year, 1 semester, or a lesser period of time is ineligible to participate in the Alternate Benefit Program. However, if the services of such an employee who rendered service for a full school year are renewed in the succeeding school year, he must enroll in the Alternate Benefit Program. Also, if the Board of Higher Education determines that a particular job title is an "applicable academic position" for the Alternate Benefit Program, all personnel in the several New Jersey colleges and the university who are currently employed in that position will then initially be eligible for participation in the Alternate Benefit Program and must therefore elect, within 90 days, to participate in either the Alternate Benefit Program or the Public Employees' Retirement System. If such an individual does not file his election form during the 90-day period, he must remain in the Public Employees' Retirement System; if he was a member of the Teachers' Pension and Annuity Fund, he must transfer to the Public Employees' Retirement System.

Chapter 67, P.L. 1974, permitted the Commissioner of Education to enroll in the Alternate Benefit Program.

143. **ENROLLMENT**—Each eligible person should complete and file a TIAA-CREF application. The completed application will be retained by the employer whose employees are not paid by the State Centralized Payroll Unit and forwarded to the TIAA-CREF offices, 730 Third Avenue, New York, New York 10017, upon the commencement of the employee's second consecutive year of employment. Applications for employees who are paid by the State Centralized Payroll Unit will be sent directly to the Alternate Benefit Section of the Division of Pensions together with the enrollment application for the Alternate Benefit Program.

143.1 **THE TIAA-CREF ENROLLMENT APPLICATION**—This form requests the name and address of the applicant, social security

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number, his date of birth, sex, position, and the allocation of the premiums between the fixed annuity (TIAA) and the variable annuity (CREF). He also names his primary and contingent beneficiaries, their dates of birth, and their relationship to him. Evidence of the applicant's date of birth is requested so that it can become part of the carrier's records. In identifying a wife as beneficiary, care should be taken to supply her full name, rather than supplying the given name of the husband.

The applicant should carefully determine the designation of beneficiaries. A primary designation should be made as well as a contingent designation in the event the primary beneficiary does not survive the member. Designations can be changed at any time by the member filing the appropriate form with the carrier.

143.2 **THE ALTERNATE BENEFIT PROGRAM ENROLLMENT APPLICATION**—This form supplements the information obtained on the TIAA-CREF application. This form must be filed by all employers with the Division of Pensions. The first part is to be completed by the applicant; it requests identifying data and the allocation of contributions as between TIAA and CREF. The applicant also names his primary and contingent beneficiaries for group life insurance. The second part is to be completed by the educational institution which certifies to the applicant's appointment, academic rank, service, and salary.

On enrollment an Alternate Benefit Program identification number is assigned to each participant by the Division of Pensions; this 6-digit number, beginning with a "9," should be used on all forms and correspondence with the Division of Pensions. An entirely different 7-digit number, preceded by the letter "A" or "B," and which is assigned later by TIAA, identifies the participant's individual TIAA contract; his CREF certificate, with the same digit number, will be preceded by a "P" or 'Q," These 7-digit TIAA contract and CREF certificate identification numbers should be used in all correspondence with TIAA-CREF.

143.3 **EMPLOYEE RATES OF CONTRIBUTION**—The participant's rate of contribution is established at a flat rate of 5 percent of base or contractual salary. A certification of membership is initially made by the Division of Pensions. On termination of the 1-year escrow period, participants are permitted to elect to satisfy the statutory 5 percent employee contribution by a salary "reduction" in lieu of a salary deduction.

143.4 **FIRST-YEAR PARTICIPANTS**—Employee and employer contributions which are required during the initial year of participation are held in escrow by the employer. At commencement of a second consecutive year in an eligible position, employee and employer contributions, together with 4 percent interest on both, are remitted to TIAA-CREF, and retirement annuity contracts are issued to the participant. If

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an employee does not continue eligible employment in the second year, employee contributions which had been held in escrow are refunded to the employee, and employer contributions revert to the employer. Employees transferring to the Alternate Benefit Program from the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, or any TIAA program are exempt from the escrow provisions of the statute, and their contributions are immediately remitted to TIAA-CREF as soon as they enroll in the program.

143.5 **MILITARY LEAVE**—If a participant is granted a military leave of absence to enter active military service, employer contributions on his behalf for the time of his initial period of military service are retained by the employer until the participant resumes active covered employment and has contributed to an Alternate Benefit Program for a period of at least 90 days after termination of his military leave of absence. (Please see 54.4[b].)

143.6 **PURCHASE**—In order to safeguard retirement income, TIAA-CREF generally does not provide for the refund of contributions to a participant. However, if any annuity contract has been in force for less than 5 years, or if the total repurchase value of the account is not more than $2,000, the annuity contract may be repurchased. Of course, a repurchase may be effected only if the employee is neither employed at nor transferring to an institution which provides a TIAA-CREF retirement for its employees, and if the institutions that contributed premiums toward his contract consent to the repurchase. After the repurchase forms are processed through the Division of Pensions to TIAA, the value of employee contributions is refunded to the employee, and employer contributions are refunded to the State. It must be borne in mind that refunds may be less than the contributions remitted to the account because of TIAA-CREF administrative charges and also because of losses which may have been incurred on investments in the CREF portion of the contract; losses or gains are applied to employee and employer contributions proportionately.

143.7 **LOANS**—Although members of other public retirement systems in New Jersey are permitted to borrow from the retirement system, there is no similar statutory provision in the Alternate Benefit Program. Therefore, loans to members from their TIAA-CREF accounts are not permitted.

143.8 **VOLUNTARY BACK CONTRIBUTIONS**—A participant may voluntarily remit, in a lump sum, during his first year of participation in the Alternate Benefit Program, the statutory employee contributions based on the salary he earned during the period from his date of appointment to an eligible position to the initial date that payroll deductions were certified to begin for the Alternate Benefit Program. In such a case appropriate employer contributions will be remitted to his

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If the employee is not working full-time (at his customary place of employment or any other location to which his employment requires him to travel) on the date the insurance would otherwise become effective, the insurance for him and his dependents will be delayed until he returns to full-time work. In any event, coverage for the dependents is subject to the conditions established in the State Health Benefits Program (Sec. 111.2.)

160.2 WAITING PERIOD—

a. Dental benefits (other than orthodontic benefits)—

1. Employees paid by the State Centralized Payroll Unit System—the first day of the biweekly pay period following completion of four biweekly pay periods.

2. All other employees—the first day of the month following the completion of 2 months of continous full-time employment.

b. Orthodontic benefits—Ten months of continuous full-time employment.

160.3 ENROLLMENT ADMINISTRATION—In the case of State employees being reported through the State Centralized Payroll Unit, the card must be submitted to the Centralized Payroll Unit by the payroll clerk prior to the third biweekly pay period or a 1-month period following the employee's date of hire. When an employer enrolls an employee who terminates his service prior to 2 months (four biweekly pay periods) of service, the payroll unit should be notified of the termination or the State will be liable for the advance premium payments.

161.1 REPORTING PROCEDURE—Most State employees covered by the State Health Benefits and Prescription Drug Programs are reported for coverage through the State Centralized Payroll Unit. All applications for changes in coverage or new enrollment applications must be received from the Centralized Payroll Unit on the first Friday of the week following the date that the member actually receives his biweekly pay.

The State monthly reporting units will remit applications for enrollments, changes in coverage, terminations, and premiums deducted from employees' wages, together with a monthly report, directly to the insurance carrier. The carrier will review the information received to determine that it is correct and complete in order to bill the State for the employer's share of the premium.

161.2 STATE PAYROLL MANUAL—All forms pertaining to this program must be completed and submitted in accordance with the State Payroll Manual prepared by the State Centralized Payroll Unit, for employees paid by Centralized Payroll. Forms used for employees of monthly units are completed and processed as set forth by each State monthly location in accordance with the needs of the carrier.

162. IDENTIFICATION CARDS—Identification cards, issued by the

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159.1 ANNUAL ENROLLMENT PERIOD—Employees who did not elect to enroll themselves or their dependents at the time they were first eligible for coverage will be permitted to enroll only during the annual enrollment period, which is the month of May with coverage effective for the first coverage period in October.

159.2 TERMINATION OF COVERAGE—Termination of coverage shall be deemed to occur on the last day of the biweekly pay period for which wages have been paid. Employees must be reported and premiums paid for the covered employee and his dependent as long as the covered, eligible employee is paid wages.

159.3 LEAVE OF ABSENCE WITHOUT PAY—Regulations which permit continuance of coverage during periods of official leave of absence shall provide that no period of continued coverage shall exceed a total of six biweekly payroll periods or 3 months during which the employee receives no pay. Coverage will be continued and shall be terminated on the last day of the coverage period for which premiums have been paid. An employee's coverage is continued during an approved leave without pay provided the employee pays the entire premium in advance (employer and employee shares for employees and dependents). Upon the employee's return to full-time employment, new enrollment cards must be forwarded to the Centralized or monthly Payroll Unit to immediately reinstate the employee's former coverage. Since the employee must participate for a minimum of 12 months, coverage must be reinstated immediately following the leave if the minimum requirement has not been met. This differs from the State Health Benefits and Prescription Drug Programs.

159.4 CONVERSION—There is no conversion upon the employee's termination of employment or retirement.

159.5 TRANSFER OF EMPLOYMENT—Only if the employee transfers within State employment can coverage for him and his dependents be continued.

160.1 ENROLLMENT PROCEDURE—A newly employed full-time employee must complete an enrollment card during the first two biweekly pay periods immediately following the date of employment. The insurance will begin when the employment waiting period described below ("Waiting Period," sec. 160.2) is completed.

If the employee does not enroll himself and his eligible dependents during the enrollment period described above, he may enroll during the annual enrollment period. The employee may enroll any eligible dependent he acquires after becoming insured by reporting such dependent within 60 days after acquiring the dependent. If he fails to report the dependent within the 60-day period, he will not be able to enroll the dependent until the next annual enrollment period. (See "Annual Enrollment Period," sec. 159.1.)

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2. when the work is completed, the dentist will send the form to the carrier.

d. Upon receipt of the completed claim form, the carrier will send the check directly to the employee for the dental expenses covered by the program. If the employee wants to have the check sent directly to the dentist, he may do so by completing the authorization section of the claim form.

157.1 MINIMUM PARTICIPATION—All enrolled employees must participate for themselves and their covered dependents for a minimum period of 12 months.

157.2 COST—The cost of the program is borne jointly (50%-50%) by the State and the employee. The employee should be informed of the amount of the contribution when asked to enroll, and such contributions will be deducted from the wages.

157.3 COPAYMENT AND DEDUCTIBLE—After an employee or a covered dependent has satisfied the deductible described below within a calendar year, the insurance will pay 80 percent of the additional eligible charges that individual incurs during the rest of the year.

The deductible is the first $25 of eligible charges incurred by the individual during the calendar year. However, once three members of the family have individually satisfied their deductibles, the balance of the family members need not satisfy deductibles for expenses incurred during the rest of the calendar year after the satisfaction of the third deductible.

158. ELIGIBLE EMPLOYEES AND DEPENDENTS—The employee and his eligible dependents are covered by the plan in the same manner and to the same extent as State employees and dependents are enrolled in the State Health Benefits Program. Covered employees include certain full-time employees of the State. In no event will any person be eligible to have duplicate coverage through two or more participating departments or agencies. "Full-time" shall mean the normal full-time weekly schedule for the particular title and in any case not less than 35 hours per week. Coverage shall continue through periods of sabbaticals where the compensation paid is 50 percent or more of the salary granted just prior to the leave, and the period of eligibility terminates with the end of the fiscal year. It also means employment for 12 months, except in the case of those employees who may be engaged in activities where the regular and normal work schedule is 10 months.

159. ENROLLMENT, TERMINATION AND STATUS CHANGES—All of the provisions pertaining to the State Health Benefits Program as they involve status changes, 10-month employees, transfers, or changes in employment status, resignations, temporary layoff, reduction in force, and Workers' Compensation apply to the dental plan for State employees.

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1. An appliance, or modification of one, for which an impression was taken before termination.

2. A crown or gold restoration for which the tooth was prepared before termination.

3. Root canal therapy, provided the pulp chamber was opened before termination.

b. If the employee or a covered dependent is totally disabled (due to an injury or sickness which commenced while the individual was covered) when the insurance terminates, coverage for the injury or sickness which caused the total disability will be extended during the total disability for a period of up to 90 days following termination of insurance.

157. BENEFIT ADMINISTRATION—The claim procedure is so designed that if the estimated charge is more than $300 or if the treatment includes a crown, an inlay, an onlay, or any orthodontic work, the patient and the dentist will clearly understand what the insurance covers, and what the estimated benefits are, before the dental work is started. Another aspect of the procedure is that the patient may authorize direct payment to the dentist.

a. Before the employee or a covered dependent goes to the dentist, a claim form should be obtained from the payroll office or personnel department. Part I is completed by the employee and given to the dentist on the first visit.

(If emergency treatment is required and a claim form cannot be obtained in advance, the employee should get the form and give it to the dentist as soon as possible.)

b. If the estimated fee is more than $300 or if the treatment includes a crown, an inlay, an onlay, or any orthodontic work,

1. the dentist will determine what treatment should be given and will show on the claim form what he proposes to do. He will send the form to the carrier.

2. the carrier will return the form to the dentist showing a predetermination of the insurance benefit and the patient's portion of the fee.

3. at this point the patient will have the opportunity to review the predetermination of benefits with the dentist, and to decide whether any changes should be made in the treatment plan.

4. the dentist will proceed with the agreed-upon treatment and will submit the claim to the carrier when the work is completed.

c. If the estimated fee is $300 or less, and if the treatment does not include a crown, an inlay, an onlay, or any orthodontic work,

1. the dentist will proceed with the treatment without first sending the form to the carrier.

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ment, including but not limited to, Federal Medicare, or similar program, or any Worker's Compensation Act or similar legislation, or to any automobile no-fault law, or under any other program or law under which the individual is or could be covered, whether or not the individual makes claim or receives compensation under such program or law and whether or not any recovery is made by the individual against a third party for damages.

p. Charges incurred after the termination of coverage, except as described later under section 156.9, "Extension of Benefits."

q. Any portion of a charge for a service in excess of the reasonable and customary charge (the charge usually made by the provider when there is no insurance, not to exceed the prevailing charge in the area for dental care of a comparable nature, by a person of similar training and experience).

r. Expenses applied toward satisfaction of a deductible under the dental expense insurance.

Other exclusions appear in prior sections (156.2, 4, 5) describing the dental expense insurance. Also see "Coordination with Other Plans," section 156.8 below.

156.7 EXCLUSIONS UNDER OTHODONTIC EXPENSE INSURANCE—The following charges aren't covered.

a. Charges for a procedure for which an active appliance was installed before the patient was insured.

b. The charges referred to under "Exclusions," section 156.6, other than items c and m.

c. A charge incurred while the patient's coverage isn't in effect. However, if benefits are being paid at termination of coverage, they will be continued for charges incurred during the rest of the monthly installment period in progress.

d. A charge that doesn't meet the requirements in the third paragraph of section 156.5, "Orthodontic Expense."

Also see "Coordination with Other Plans," section 156.8 following.

156.8 COORDINATION WITH OTHER PLANS—The dental plan contains a nonprofit provision coordinating it with other plans under which an individual is covered so that the total benefits available will not exceed 100 percent of allowable expenses. The specific provisions are identical to those of the State Health Benefits Program. (See section 110.8.)

156.9 EXTENSION OF BENEFITS—

a. If the dental expense insurance for an employee or a dependent is terminated, the protection will be extended to cover the following dental care received within the next 30 days, provided benefits would have been paid had the insurance remained in effect:

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a. Charges incurred in connection with periodontic procedures or treatments or prosthodontic procedures or devices.

b. Charges for gold restorations other than crowns, inlays, and onlays.

c. Charges for services or items not reasonably necessary for the dental care of an individual including tooth implants, sealants, protective devices such as athletic mouth guards, plaque control, myofunctional therapy, services to alter the vertical dimensions of teeth or to restore occlusion and crowns, inlays or onlays if used in splinting procedures, or provided solely for cosmetic purposes; charges in connection with an orthodontic service.

d. Charges for supplies of the type normally intended for home use, such as toothpaste, toothbrushes, water-pik, and mouth wash.

e. Charges incurred in connection with dental examinations required by an employer as a condition of employment, or by a government agency, or in accordance with the terms of a labor agreement.

f. Charges for any services or materials which were furnished only because benefits were afforded under the coverage.

g. Any charges incurred for services or supplies to the extent that benefits are payable for those charges, services, or supplies under any other group insurance plan or under any other plan toward which any employer or labor union has paid any part of the cost or made or allowed collections.

h. Any charges for services or supplies received from a dental department or center maintained by or on behalf of an employer, a mutual benefit association, labor union, trustee, or similar person or group.

i. Any charges for services or supplies incurred on account of war or any act of war.

j. Any charges for a service or supply not furnished by a dentist (unless the service is performed by a licensed dental hygienist under the supervision of a dentist).

k. Any charges for any services rendered by a provider which are beyond the scope of his license.

l. Charges made by a dentist for failure to keep a scheduled visit or for the completion of any insurance form.

m. Any charge incurred in connection with a procedure which was started prior to the date the person became a covered individual. For this purpose, routine oral prophylaxis or diagnostic procedures will not be considered the start of a procedure.

n. Any charges for services and supplies other than those covered under this coverage.

o. Any charges for services or supplies furnished or made available to a covered individual or financed by Federal, State, or local govern-

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Predetermination of benefits permits the review of the proposed treatment in advance and allows for resolution of any questions before, rather than after, the work has been done. Additionally, both the patient and the dentist will know in advance what is covered and what the estimated insurance benefits are, assuming the employee or the dependent remains covered.

156.4 ALTERNATE METHODS OF TREATMENT—Many dental conditions can properly be treated in more than one way. This insurance is designed to help pay dental expenses, but not on the basis of treatment that is more expensive than necessary for good dental care.

Thus, if a condition is being treated for which two or more services are suitable under customary dental practices, the benefit under the insurance will be based on the service that, according to a determination made by the carrier, would produce a professionally satisfactory result.

156.5 ORTHODONTIC EXPENSE—This insurance applies to orthodontic treatment (a program to straighten teeth) for an individual age 19 or less who is covered for dental expense insurance.

The insurance pays 100 percent of the eligible charges up to the maximum orthodontic benefit shown in the schedule.

Eligible charges are those made for an orthodontic procedure that (a) is in an "orthodontic treatment plan" that prior to the treatment has been reviewed by the carrier and returned to the dentist showing estimated benefits, and (b) is required by an overbite or overjet of at least four millimeters, crossbite, or protrusive or retrusive relationship of at least one cusp.

An "orthodontic treatment plan" is a report on a form satisfactory to the carrier that among other things describes the recommended treatment, gives the estimated charge, and is accompanied by cephalometric X-rays, study models, and other supporting evidence.

The claim will be paid in installments beginning when the orthodontic appliances are first inserted, and monthly thereafter for the duration of the treatment, as long as the patient remains covered. The installments will be in equal amounts, except that the initial payment will be twice the subsequent monthly amounts.

The insurance will provide the following benefits:

Diagnosis (not more than once in any 5-year period)	$ 50
Active treatment including appliances—	
First month	$ 50
Each subsequent month	$ 25
Lifetime maximum	$700
Retention treatment, per visit	$ 10

156.6 EXCLUSIONS AND LIMITATIONS—The plan does not cover:

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p. Provider—A licensed dentist or any other licensed practitioner of the healing arts furnishing dental care for which he is licensed.

q. Pulpotomy—Removal of the pulp of a tooth.

r. Root Canal Therapy—(See "Endodontic Therapy" above.)

156.2 BENEFITS—The eligible benefits or charges are those which the dentist makes for a covered dental service furnished to a covered employee or dependent and include the following:

a. Initial and periodic oral examination (at least 6 months must elapse since the last examination).

b. X-rays (full month limited to one set every 3 years and to 12 films, bitewings limited to one set during any 6 month period).

c. Oral prophylaxis, including scaling and polishing (at least 6 months must elapse since the last prophylaxis).

d. Topical application of fluoride for individuals less than age 19.

e. Restoration of prosthodontic devices (labor and supplies) to a condition where such devices again perform all functions for which they were designed.

f. Restorative procedures, including fillings (other than gold), inlays, and crowns (not used as a bridge or bridge abutment).

g. Emergency palliative treatment.

h. Extractions.

i. Endodontic services (such as pulpotomy and root canal therapy).

j. Space maintainers.

k. Oral surgery (surgical extractions, treatment of fractures, removal of lesions of the mouth, and alveolectomies).

l. Apicoectomy.

A charge will be considered incurred on the date the service is received rather than on the date the charge is made. The amount of the eligible charge for a covered service is equal to the charge made by the dentist, not to exceed the reasonable and customary charge (defined in section 156.6).

156.3 PREDETERMINATION OF BENEFITS—Charges incurred are eligible only when the dentist's proposed course of treatment ("treatment plan") has been submitted to and reviewed by the carrier and returned to the dentist showing the estimated benefits. A "treatment plan" must be submitted if the total charges exceed $300 (except if emergency care is required), or if the services include charges for crowns, inlays, or onlays.

A "treatment plan" is the dentist's report that (a) itemizes his recommended services, (b) shows his charge for each service, and (c) is accompanied by supporting X-rays where required or requested by the carrier.

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STATE EMPLOYEE DENTAL EXPENSE PLAN

156. INTRODUCTION—On the basis of collective bargaining agreements between the State and its employees, the State Employee Dental Expense Plan was initially made available to certain State employees pursuant to a contract of insurance which became effective on February 1, 1978. The Dental Expense Program is available to most State employees who are eligible to participate in the State Health Benefits Program for themselves and their dependents. The coverage was placed with a carrier after competitive bids.

156.1 DEFINITIONS—

a. Abutment—Tooth or root that supports a bridge or a fixed or removable denture.

b. Apicoectomy—The removal of the tip of the root of a tooth.

c. Bridgework—

Fixed—Partial denture held with crowns or inlays cemented to the natural teeth.

Removable—Partial denture retained by attachments which permit removal of the denture. Normally held by clasps.

d. Crown—Artificial cap or jacket for a tooth.

e. Denture—A device replacing missing teeth.

f. Endodontic Therapy (Root Canal Therapy)—Treatment of a tooth having a damaged pulp. Usually performed by completely removing the pulp, sterilizing the pulp chamber and root canals, and filling these spaces with sealing material.

g. Flouride—A solution of fluorine which is applied to the surface of the teeth for the purpose of preventing dental decay.

h. Inlay—A solid filling made to the shape of a cavity of a tooth and cemented into it.

i. Onlay—A type of restoration covering a large portion of the tooth which is often used to increase the height of the tooth.

j. Orthodontics—Branch of dentistry dealing with preventing and correcting abnormalities of the position of the teeth (commonly: straightening teeth).

k. Palliative Procedures—Treatment to relieve pain.

l. Periodontics—Branch of dentistry dealing with the treatment and prevention of diseases of the gum.

m. Pontic—The false tooth in a fixed bridge.

n. Prosthodontics—Branch of dentistry dealing with replacement of natural teeth.

o. Prophylaxis—Cleaning the surfaces of the teeth.

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location of the State biweekly or monthly reporting unit. When a new supply of general booklets will be needed, such request should be made to the Division of Pensions which will then ask the carrier to make a bulk delivery to the particular agency. On occasions the State may request a list of participating pharmacies. The listings of such pharmacies will be mailed by the carrier in bulk to each payroll location.

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payroll clerks will review the information contained on the cards against the information on their payroll records to determine whether it is correct and distribute such cards to their employees. In the event the information is incorrect the card should not be issued to the employee, and the discrepancy should be brought to the attention of the Centralized Payroll Unit in biweekly cases *(to the Health Benefits Bureau in monthly cases)* in order to determine whether a new enrollment card must be submitted to obtain a correct identification card for the employee.

The second occasion for the timely issuance of cards is following a notice of enrollment or change of coverage during the year. The identification cards will be mailed by the carrier to the appropriate payroll location for review and distribution to the employees. The review procedure should be followed before the identification cards are sent to the employees.

Also, the payroll clerks will receive requests from employees during the course of the year for a duplicate card. The payroll clerk will complete the form designating the loss of the card or the unusual need for a duplicate. In the latter category are those situations when a duplicate is necessary for a former spouse, in the case of a divorce or separation, where there is coverage and the employee must have a card for himself as well as for his covered family members. The form should be submitted to the Centralized Payroll Unit or monthly reporting officer where it will be directed to the carrier for preparation of the identification card. The card will be mailed to the payroll location for distribution to the employee.

The payroll clerk should make every effort to obtain the return of an identification card from any employee who has terminated employment. The employee who terminates employment is no longer covered by the program, and the inadvertent use of the card and its implications will be eliminated where the payroll clerk or personnel officer is able to secure the card from the employee who has terminated his employment.

155. LITERATURE—There will be at least three types of descriptive literature used in the program. The first involves a sheet containing questions and answers as to the administration of the plan. The purpose of this literature is to decrease the number of inquiries made by employees to personnel officers or payroll clerks. This information will be distributed annually by the payroll clerks to covered employees. The second is the benefit booklet which is a brochure describing the details of the plan. This booklet will be issued by the payroll clerks with the annual distribution of the identification cards and to employees who are enrolled during the course of the year. The booklets that will be given to the employees together with their identification cards for the annual reissue will incorporate on the title page, the name of the collective bargaining unit, employee association, or union designation.

All literature will be sent in bulk by the carrier to each payroll

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covered in the State plan while covered as an employee in some other program of comparable coverage.

152.2 ENROLLMENT ADMINISTRATION—In the case of State employees being reported through the Centralized Payroll Unit the card must be submitted to the Centralized Payroll Unit by the payroll clerk prior to the third biweekly pay period or a 1-month period following the employee's date of hire. When an employer enrolls an employee who terminates his service prior to 2 months *(four biweekly pay periods)* of service, the payroll unit should be notified of the termination, or the employer will be liable for the advance premium payments.

153.1 REPORTING PROCEDURE—Most State employees covered by the Health Benefits and Prescription Drug Programs are reported for coverage through the State Centralized Payroll Unit. All applications for changes in coverage or new enrollment applications must be received from the Centralized Payroll Unit on the first Friday of the week following the date that the member actually receives his biweekly pay.

The State monthly reporting units will receive monthly coverage reports and will use the reporting procedure as indicated under the "Enrollment Administration" section of the manual.

153.2 STATE PAYROLL MANUAL—All forms pertaining to this program must be completed and submitted in accordance with the State Payroll Manual prepared by Centralized Payroll, Department of Treasury, for employees paid by Centralized Payroll. Forms used for employees of monthly units are completed and processed as set forth by each State monthly location.

154. IDENTIFICATION CARDS—One of the most important factors in any prescription drug program is the identification card. The plastic card normally is embossed with the name of the employee, the names of the employing agency and/or bargaining unit, the emblem of the unit, the type of coverage, the employee's identifying number, the group number, the amount of the copayment, and the expiration date. In the case of the State plan 2 additional numbers are necessary for the proper distribution of the cards. This involves a 5-digit number identifying the payroll location and constituting the payroll location code and a 2-digit number identifying the bargaining unit.

The cards issued to employees of State monthly units will also contain a 5-digit number identifying the location number used for Health Benefit purposes.

There is a minimum of two occasions during the course of the contract year when such cards are issued. The first is the annual reissue which occurs at the beginning of each contract year. Payroll clerks will receive the identification cards in bulk from the carriers for every employee who is covered by the program on the date of reissuance. The

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151.1 TERMINATION OF COVERAGE—Termination of coverage shall be deemed to occur on the last day of the biweekly pay period for which wages have been paid. Employees must be reported and premiums paid for the covered employee and his dependent as long as the covered employee is paid wages.

151.2 VOLUNTARY TERMINATION—An employee may elect voluntarily to terminate coverage for himself or his dependents in the program, but such termination shall be effected by completing the authorization card and transmitting it to the Payroll Section.

151.3 LEAVE OF ABSENCE WITHOUT PAY—Regulations which permit continuance of coverage during periods of official leave of absence for illness shall provide that no period of continued coverage shall exceed a total of six biweekly payroll periods or 3 months during which the employee receives no pay. Coverage will be continued by the State and shall be terminated on the last day of the coverage period for which premiums have been paid. Upon the employee's return to full-time employment new enrollment cards must be forwarded to the centralized or monthly Payroll Unit to immediately reinstate the employee's former coverage. There is no continuation of coverage for any approved leave of absence other than for illness. This differs from the State Health Benefits Program, and personnel officers and payroll clerks must appreciate the significance of such difference.

151.4 CONVERSION—There is no conversion upon the employee's termination of employment or retirement.

152.1 ENROLLMENT PROCEDURE—At the time each employee first becomes eligible for coverage, he shall complete an enrollment and authorization card constituting his election to enroll or not to enroll for coverage for himself and/or his dependents in the State Health Benefits Program, including the State Prescription Drug Plan. (*Please also see* "ENROLLMENT, TERMINATION, AND STATUS CHANGES," above.)

When the employee is enrolled in both programs, there may be occasions when he may find it necessary to request different coverage in the prescription drug plan in contrast to the coverage established in the State Health Benefits Program. Since the State is paying the full cost of both plans *(other than any additional deductions for participation in an HMO),* the request will be unusual, and the employee should be directed to the office of the Supervisor of the State Prescription Drug Plan for assistance. The employee should appreciate that the cost of medical care insurance, such as prescription drugs, is based on the claims incurred by the covered population, not in the premiums initially paid by the employer or the employee. Since there can be no duplication of payments, the employer's cost may not be increased when a dependent is

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employee may obtain from his payroll clerk or personnel officer or from the carrier.

The Report Form with the receipted bill should then be sent to the carrier at the address indicated on the Report Form.

If the "nonparticipating pharmacy" is located within the area served by a participating carrier plan, the employee will receive reimbursement of 75 percent of the remaining usual and ordinary charge as determined by the carrier after $2.50 has been deducted from the prescription charge. If the "nonparticipating pharmacy" is outside the area served by a participating carrier plan, or if the employee did not present the prescription drug program identification card at a "participating pharmacy," the employee will be reimbursed for 100 percent of the remaining usual and ordinary charge for the eligible prescription drug as determined by the carrier after $2.50 has been deducted from such charge.

The area served by the plan is the geographical boundary of the State of New Jersey and includes the border areas of New York, Pennsylvania, and Delaware where State employees are permitted to reside.

148.5 COST—Each eligible employee and his dependents shall be eligible to enroll for coverage in the plan without cost to the employee. Where members of the same family are enrolled as employees, they must appreciate that while coverage is available to any employee, there will be no duplication of claim payments.

149. ELIGIBLE EMPLOYEES AND DEPENDENTS—The employee and his eligible dependents are covered by the plan in the same manner and to the same extent as State employees and dependents are enrolled in the State Health Benefits Program established pursuant to P.L. 1961, Chapter 49. Covered employees include certain full-time employees of the State. In no event will any person be eligible to have duplicate coverage through two or more participating departments or agencies. "Full-time" shall mean the normal full-time weekly schedule for the particular title and in any case not less than 35 hours per week. Coverage shall continue through periods of sabbaticals where the compensation paid is 50 percent or more of the salary granted just prior to the leave, and the period of eligibility terminates with the end of the fiscal year. It also means employment for 12 months, except in the case of those employees who may be engaged in activities where the regular and normal work schedule is 10 months.

150. ENROLLMENT, TERMINATION, AND STATUS CHANGES—All of the provisions pertaining to the State Health Benefits Program as they involve the annual enrollment period, status changes, 10-month employees, transfers or changes in employment status, resignations, temporary layoff, reduction in force, and Workers' Compensation will apply to the prescription drug plan for State employees.

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9. Vitamins, diet pills, and sedatives, except those which cannot be purchased without a prescription.

10. Immunization agents.

11. Biological sera, blood, and blood plasma.

12. Drugs and medicines prescribed for injury or sickness resulting from war or any act of war.

13. Those which may be dispensed without a prescription, such as aspirin, even though prescribed by a physician.

14. Any prescriptions written before the effective date of coverage under the plan. *(Refills are permitted if they would otherwise be eligible for payment.)*

15. Drugs obtained from a State or local public health agency in the treatment of venereal disease, tuberculosis, or mental disease.

16. Any drug consumed at the time and place of the prescription order, or if dispensed by a physician or other practitioner.

17. Drugs received from a pharmacy or center maintained by or on behalf of an employer, a mutual benefit association, labor union, trustee, or similar person or group.

18. Charges in excess of those usually made when there is no insurance or in excess of the general level of charges in the area.

19. Services rendered or drugs furnished by other than a licensed pharmacist.

20. Services rendered by a provider beyond the scope of his license.

21. Any charge for the completion of insurance forms.

22. Charges following the termination of coverage or the termination of the plan.

148.4 **BENEFIT ADMINISTRATION**—An employee should present his prescription drug program identification card to the pharmacist along with the prescription order. The employee will have to pay the first $2.50 toward the charge for each eligible prescription and prescription refill.

After he has paid the $2.50, he will be covered for the remaining charge for the prescription if he uses a "participating pharmacy."

The pharmacist will complete the claim form with the employee and forward it to the carrier which will pay the "participating pharmacy" directly for the remaining charge for the prescription.

If the employee uses a "nonparticipating pharmacy" or does not present the prescription drug program identification card at a "participating pharmacy," the employee should pay the pharmacist, get a receipt, and obtain the following information from him: the amount charged; the prescription number; the name of the drug dispensed; the manufacturer; and the dosage form, strength, and quantity. L ist this information together with the date the prescription was dispensed and all other requested information on the carrier's Report Form which the

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148.2 BENEFITS—The plan provides coverage for drugs which under Federal or State law may be dispensed only upon a prescription written by a physician. Normally such drugs are required to bear the legend, "Caution: Federal law prohibits dispensing without prescription." Also included is injectable insulin that is taken upon the written order of a physician and received from a pharmacy or other organization legally licensed to dispense drugs and which are covered under this plan.

The plan covers such medicinal substances and amounts thereof prescribed at a physician's direction, provided such amounts do not exceed a 34-day supply or 100 unit doses, whichever is greater. The 100 unit doses relate to drugs used in the treatment of chronic conditions.

The program allows for the refill of a prescription within 1 year of the original prescription date as authorized by the physician and which is not in conflict with any of the laws regulating the dispensing of pharmaceuticals.

There is no conversion at termination of employment

148.3 EXCLUSIONS AND LIMITATIONS—No payment will be made with respect to the following:

1. Any charge for medications furnished on a hospital inpatient basis or as dispensed to an outpatient by a hospital-based pharmacy.

2. Drugs which do not require a prescription except those specifically included above in "BENEFITS."

3. Prescription devices such as, but not limited to, contraceptive devices, therapeutic devices, artificial appliances, hypodermic needles, syringes or similar devices, support garments, or similar nonmedical appliances.

4. Any charge for the administration or injection of a prescription drug or insulin.

5. Any charges for a contraceptive medication regardless of its intended use.

6. Any charges for any refill of a prescription in excess of the number specified by the physician or for any refill dispensed after 1 year from the date of the physician's original order.

7. Prescriptions dispensed while a patient in a nursing home, rest home, sanitarium, residential, educational center for the retarded, or other treatment institution.

8. Drugs provided for or available to a covered person under any other prescription coverage plan or policy of insurance or provided for under any State or Federal law, including but not limited to Federal Medicare, medicaid, or similar program, or any Workers' Compensation act or similar legislation, where the covered person claims compensation or receives benefits thereunder, and whether or not any recovery is had by the covered person against the third party for damages. *(It is understood that medicaid is the final payer in all cases.)*

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STATE EMPLOYEE PRESCRIPTION DRUG PLAN

148. **INTRODUCTION**—The State of New Jersey had, through collective bargaining, entered into agreements with a number of groups of State employees. The language of these agreements generally called for a plan of group insurance for prescription drugs to be funded and administered by the State and to provide benefits for all eligible unit employees and their eligible dependents. Such a program was initiated by the State effective December 1, 1974, and was renewed as recently as November 1976. During this 2-year period successive groups of bargaining units have been permitted to enroll in the program; and then with the enactment of Chapter 41, P.L. 1976, coverage was extended to all eligible State employees, including those not in collective bargaining units. The coverage was placed with a carrier after competitive bid.

148.1 **DEFINITIONS:**

a. "Physician" means a licensed doctor of medicine (M.D.), a doctor of osteopathy (D.O.), a doctor of dental surgery (D.D.S.), a doctor of dental medicine (D.M.D.), and a doctor of podiatry (D.P.).

b. "Pharmacy" does not include a physician but is limited to an establishment which is licensed to dispense prescription drugs by a professional pharmacist and unless specifically excluded.

c. "Pharmacist" means a person who is legally licensed to practice the profession of pharmacy and who regularly practices such profession in a pharmacy.

d. "Participating pharmacy" means that pharmacy which regularly dispenses prescription drugs and has entered into a prepaid prescription agreement with the carrier or any other participating carrier plan as designated by the carrier. Arrangements have been made with neighboring carrier plans whereby pharmacies participating in prescription drug programs of those plans will accept prescription orders from the State program subscribers who present their prescription drug identification cards.

e. "Nonparticipating pharmacy" means any pharmacy other than a participating pharmacy which regularly dispenses prescription drugs.

f. "Prescription order" means the request for drugs issued by a physician or dentist duly licensed to make such a request in the ordinary course of his professional practice.

g. "Deductible" or "copayment" means the amount which is charged the covered person by the pharmacy for the dispensing of each prescription order, or for insulin, or for each authorized refill.

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for the fourth month of disability. In addition he should file an application for social security disability benefits at the same time in order to assure prompt payment, since the carrier cannot release benefits until a determination regarding the disability claim is made by the Social Security Administration.

The disability benefit provisions do not cover disability resulting from or contributed to by pregnancy, act of war, self-inflicted injury, or attempted suicide, whether or not sane. For purposes of such coverage, the participant is not considered disabled while he is in prison or while he is outside the territories of the United States or Canada.

No person will be covered by the disability benefit provisions except upon the completion of 1 year of full-time continuous employment in a position eligible for participation in the Alternate Benefit Program.

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147. DISABILITY BENEFITS—The long term, income replacement provisions of the Alternate Benefit Programs are quite different from the disability benefits normally provided by most State-administered retirement systems. No extended period of service is required, the measurement of disability is quite different, there is a different service requirement, there is no differentiation between service-connected and nonservice-connected disability, and the benefits are not payable for the life of the participant.

A monthly income is provided if the participant becomes totally disabled before age 60 from occupational or nonoccupational causes for a period of at least 6 consecutive months following the effective date of coverage. The monthly benefit may be paid by the carrier up to age 70 as long as the participant remains disabled, or up to the time he elects to retire and receive a retirement annuity. The amount of the benefit is 60 percent of base monthly salary. The minimum benefit is $50 a month, provided the participant is not receiving wages except during a period of rehabilitation. Such benefit is inconclusive of benefits payable by Federal Social Security, Workers' Compensation, and similar legislation.

In addition to these benefits payable to the individual, the basic contributions that he would have been required to make for a retirement annuity are made by the carrier on his behalf during the period that he is in receipt of disability benefits. Such contributions are paid to cover the period of disability by both the participant and his employer so that full pension rights and insurance benefits are continued and are made available at retirement or to his beneficiary in the event of his death. The benefits terminate when the participant is no longer considered totally disabled. Payments from short term disability or salary continuance plans underwritten by private carriers cannot be credited as base salary; pension contributions based on these payments cannot be accepted.

In the first year of disability, the participant will be considered totally disabled if he is unable to perform his usual duties and is under the regular care of a physician. In subsequent years total disability is not considered to exist if he is able to become gainfully employed. However, following an agreement between the carrier and the Division of Pensions, the participant can continue to receive disability benefits for a limited period of time, while performing some type of work. During the period of rehabilitation the monthly benefit will be the regular payment, less 80 percent of the participant's earnings from such rehabilitative position. The participant is deemed to be covered by the disability benefit provisions for a period of not more than 6 months while on an official leave of absence without pay if evidence is presented to the Division of Pensions that the member was not actively engaged in a gainful occupation during the period of such leave. A participant who believes that his disability will continue beyond the 6 month waiting period should file an application for disability benefits at the commencement

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145.4 SURVIVOR BENEFITS—If a participant dies prior to retirement, the Division of Pensions and the carrier should be promptly notified. Forms will be furnished and a description of income options made available along with estimates of monthly income by the insurance carrier to the beneficiary.

145.5 PROOF OF INSURABILITY REQUIRED—Any employee who is eligible to become a participant in an Alternate Benefit Program will not be eligible for group life and disability insurance benefits if he is 60 or more years of age on the date he files an application for enrollment in the program, or if he makes application for enrollment more than 1 year after he first became eligible for enrollment, regardless of his age, unless he first furnishes satisfactory evidence of insurability and is actively at work and is performing all of his regular duties at his customary place of employment on the effective date of his enrollment in the Alternate Benefit Program. A medical examination to determine insurability for such employee will be arranged by the insurance carrier at no cost to the employee.

146. RETIREMENT BENEFITS—Applications for retirement benefits must be filed directly with the insurance carrier. Before a staff member attains the retirement age stipulated in his contract, the carrier will write to him inquiring if he is planning to retire or if his retirement is to be deferred. If payments are to begin, the carrier will send the participant a description of the income options which are available and an application on which he may elect the option he prefers. The completed application should be sent to the carrier. The carrier will request information from the employer regarding the date and amount of the final premium payment, and a copy of the information must be sent to the Division of Pensions. An inactive participant will be retired by TIAA-CREF upon the attainment of age 70, while an actively employed participant will be retired no later than the attainment of age 80.

146.1 HEALTH BENEFITS COVERAGE AFTER RETIREMENT—A participant who is covered by the State Health Benefits Program as an active employee may elect to continue health benefits coverage after retirement by authorizing TIAA to make the necessary premium deductions from his TIAA monthly annuity payments; deductions from CREF annuities and TIAA dividends are not permitted by those carriers. In order to continue health benefits coverage the participant must contact the Division of Pensions at least 1 month prior to his anticipated retirement. Furthermore, a participant who is receiving long term disability benefits under the program may continue coverage in the State Health Benefits Program during the period he is receiving long term disability benefits; such an individual must arrange with the Division of Pensions at the onset of the disability to continue coverage during the benefit period.

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handling of funds in the other systems administered by the Division of Pensions.

144.4 ACTUARIAL—The data stored in the magnetic tape records maintained by Data Processing are annually supplied to the respective carriers.

145. CLAIMS—The material pertaining to claims deal with death benefits as well as terminations.

145.1 GROUP LIFE INSURANCE—Active participants have non-contributory group life insurance coverage of 3 1/2 times the salary on which Alternate Benefit Program contributions were based in the last year (10 or 12 months) of creditable service. If an employee dies during the first year of participation, his insurance benefit, therefore, could be considerably less than 3 1/2 times his salary for a full year of service. If the death of a participant in his first year of participation is service-connected, insurance benefits are computed on the annual rate of base salary; if a participant remains active after attaining age 70, his insurance coverage is one-half salary.

Insurance benefits of one-half of the participant's salary in his last year of active service are payable in the event of death after retirement if the participant had at least 10 years of credited New Jersey participation in an Alternate Benefit Program, had attained age 60, and was an active participant in the program immediately preceding his initial receipt of a TIAA or CREF annuity.

145.2 GROUP LIFE INSURANCE, CONDITIONS—The group life insurance plan protects the participant for up to 2 years while on leave due to illness, up to 1 year while on leave to fulfill a residency requirement for an advanced degree or while on leave due to maternity, or up to 93 days while on leave for any other reason. A participant is deemed to be on an official leave of absence only if the leave is formally approved by his employer prior to the time the leave commenced and timely notice is filed by the employer with the Division of Pensions.

145.3 GROUP LIFE INSURANCE, PAYMENTS—The death benefits under the group life insurance plans may be designated to be paid in:

a. Lump sum—where provision is made for lump sum payment for benefits, the beneficiary may elect to receive them in installments, or as a life annuity instead. The one-half salary benefit must be paid as a lump sum.

b. Installments for a certain period of time—should the beneficiary die before all the payments have been made, the remaining value will be paid in a lump sum to the beneficiary's estate.

c. Life annuity—the value of the annuity will be determined by the benefit amount and the life expectancy of the beneficiary; payment will cease at the death of the beneficiary.

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account, and his date of enrollment will be accordingly adjusted. Back contributions are entirely voluntary on the part of the employee because the Alternate Benefit Program is a money purchase program and is, therefore, not directly related to years of service at the time of retirement.

144. **CONTRIBUTIONS AND ACCOUNTING**—The total of the pension contributions taken by the State Centralized Payroll Unit, as well as those schools whose employees are not so paid, is forwarded to the respective carriers each month for employees who are no longer in escrow. For employees who are paid by the State Centralized Payroll Unit, the Division transmits a report to TIAA citing the TIAA contract number assigned to the member and indicating any changes from the previous month's report. TIAA reports are prepared by those schools whose employees are not paid by Centralized Payroll and sent directly to the carrier. Schools reporting directly to TIAA must prepare a monthly statement for the Division of Pensions reflecting the current status of employees who are no longer in escrow. The possibility of changes is many since the member may alter the distribution of pension contributions as between the fixed and variable annuities, or he may enter into a tax-sheltered arrangement on the basic 5 percent statutory contribution or additional contributions which the employer may make; additional salary reductions may not exceed 10 percent of base or contractual salary. Such changes, however, are permitted only once a year.

144.1 **CERTIFICATIONS**—The Division will certify all new enrollments and transfers to the respective employers. Such certifications will establish that the employee is eligible to enroll in the Alternate Benefit Program and indicate his program membership number, group life insurance status, date of employment, and whether he is in escrow or in active participant status at the time of his enrollment or transfer.

144.2 **STATEMENT OF ACCOUNT**—Annually, a statement of account is furnished to each participant by the carrier, indicating the balance of his account with respect to the value of the contributions credited to his account in TIAA-CREF. If the participant is purchasing a variable annuity, he will also receive a statement from the carrier indicating the value of the contributions paid in the prior year, the number of his accumulation units, and the value of such units.

144.3 **BOOKKEEPING**—The Alternate Benefit Programs as maintained by the Division of Pensions have depository and custodial accounts with a selected bank within the State. Each month, the Office of the Chief Accountant prepares statements indicating the position of the various funds in the form of a Statement of Income and Disbursements and a balance sheet. All of the accounts are patterned after the proper methods of accounting and procedures compatible with the

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carrier, set forth the employee's name, social security number, and payroll unit. While the card evidences the employee's participation, it is not needed to receive services. The plan does not contain provisions for participating and nonparticipating dentists; therefore, the employee or covered dependent can go to any licensed dentist in any state for dental services. Such services would be reimbursed under the terms of the contract to the extent of the plan's benefits.

163. **LITERATURE**—The booklet entitled "New Jersey State Dental Expense Program" contains all of the information needed for an employee to determine whether he should enroll. The booklet will be issued by the payroll clerk to all new eligible employees and to any interested employees during the annual enrollment period.

Booklets are sent in bulk to the State Centralized Payroll Unit or the monthly reporting units. When a new supply of booklets is needed, such request should be made to the Division of Pensions.

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STATE EMPLOYEE UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

164. INTRODUCTION—On the basis of Federal legislation, certain State employees, primarily those working in State institutions, were initially covered by unemployment compensation as early as 1972. In 1978 the plan was extended to most State employees. Initially the Division's responsibility was limited to the collection of employee contributions and the remittance of this money and employer contributions to the Divsion of Unemployment and Disability Insurance. With the expansion of the program to most State employees, the services of a contractor were obtained in order to monitor claims and prepare monthly and quarterly reports of claims activity. Monthly claim reports are sent directly to State biweekly and monthly employers for review, and any discrepancies must be brought to the attention of the contractor. Quarterly reports are sent to the Division to verify the value of claims paid by the Division of Unemployment and Disability Insurance. The additional responsibility of oversight of contracting services was transferred to the Division as of June 1979 when a contract was awarded on the basis of competitive bids.

In 1980 in conformity of Federal and State statutes, Temporary Disability Insurance coverage was mandated for State employees who are covered by Unemployment Compensation. The Disability Insurance Service Unit of the Department of Labor and Industry is responsible for preparing reports of claims activities and conducting educational programs similar to those that are presently being performed by a contractor for Unemployment Compensation purposes.

The Division of Pensions acts in cooperation with the Division of Unemployment and Disability Insurance to account for the contributions deducted from employees' wages by the State and State monthly groups. The Division reviews the claims experience and in cooperation with the contractor, and the Division of Disability Insurance assists in developing the educational programs designed to assure the proper administration of the plans.

165. COVERAGE, STATE EMPLOYEES—Certain employment classifications are excluded from coverage under the New Jersey unemployment compensation and temporary disability insurance laws. Employees working in the following job classifications are not covered under these unemployment compensation laws and therefore, are not eligible to receive benefits:

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a. Elected officials.

b. Members of legislative body or the judiciary.

c. Members of the State or Air National Guard.

d. Employees serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or similar emergency.

e. Individuals in certain nontenured policy making or advisory positions or policymaking or advisory positions, the performance of the duties of which ordinarily does not require more than 8 hours per week.

f. Service performed for a hospital by a patient of that hospital.

g. Service by an inmate of a custodial or penal institution.

h. Service for an unemployment work-relief or work-training program assisted in whole or in part by any Federal agency or an agency of a state or a political subdivision by an individual enrolled in such program.

i. Service for a facility which operates a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, or provides remunerative work for individuals who, because of their physical or mental capacity, cannot be readily absorbed into the competitive labor market, by an individual participating in such program.

j. Service performed as a student nurse in the employ of a hospital or nurses' training school by an individual who is enrolled or regularly attending classes in a school approved under New Jersey laws. Also excluded are services performed as an intern in the employ of a hospital by an individual who has completed a 4-year course in a medical school approved according to New Jersey law.

k. Services performed in the employ of a school, college, or university if such services are performed (1) by a student who is enrolled and regularly attending classes at that institution on a full-time basis in an educational program or completing such educational program leading to a degree at any of the severally recognized levels, or (2) by the spouse of such a student, if such spouse is advised at the time the employment begins that such employment is provided under a program to provide financial assistance to the student by such institution.

l. Services performed by an individual under the age of 22 who is enrolled at a nonprofit or public educational institution as a student in a full-time program taken for credit which combines academic instruction with work experience. This exclusion applies only if the service performed by the student is an intergral part of the work-study program and the institution has so certified to the employer. Moreover, the institution must be one which normally maintains a regularly organized body of students in attendance at the place where its educational activities are carried on. The exclusion does not apply to service performed in a program established for or on behalf of an employer or group of employers.

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166. EMPLOYER-EMPLOYEE LIABILITY—Under the statute, the State is liable for the employer's cost of unemployment compensation and temporary disability insurance benefits. Eligible employees are required to pay 1 percent of taxable wages in each calendar year, and the amount of such wages is determined annually by the Department of Labor and Industry. It is important to note that CETA/PSE employees are required to pay one-half of 1 percent of taxable wages for temporary disability insurance purposes.

167. BENEFITS—The following describe the benefit administration for purposes of unemployment compensation:

167.1 NOTICE OF EMPLOYEE SEPARATION—When an employee's services are terminated, a notice, "State of New Jersey Notice of Employee Separation," (form REH UC-4) must be immediately completed and a copy mailed to the contractor responsible for claims control and review.

167.2 APPLICATION FOR BENEFITS—When a covered employee is unemployed, he should obtain from his last employer a copy of Form BC-10. The employee will complete the form and bring such form with his social security card to the nearest office of unemployment compensation on the first day of his unemployment, or as soon thereafter as possible. He must report to his local unemployment compensation claims office as required, be able and available for work at all times, register for work with the New Jersey State Training and Employment Service, and make an active search for work as directed.

167.3 BENEFIT PAYMENTS—No benefits will be received during the first week of unemployment. The employee, on his second visit to the claims office, will be paid any benefits to which he is entitled. The value of the benefits payable to an employee who was paid by the State Centralized Payroll Unit will be determined by the local office on the basis of information contained on the "Request for Wage and Separation Information," which is completed by the contractor. The local office will determine the benefits payable on the basis of the information which is furnished by State monthly units and sent directly to the local office for their employees. The employer and/or the contractor is obligated by statute to complete and return the form within 7 days after the date of mailing shown on the form. The Division of Unemployment Disability Insurance is responsible for determining the eligibility of an employee to receive a benefit, the amount of the benefit, and the payment of such benefit.

Effective April 1, 1980, the Federal law mandated that states reduce the amount of unemployment benefit payments to an individual for any week which begins after March 31, 1980, and which begins in a period the individual is receiving a governmental or other pension retirement or retired pay, annuity, or any other similar periodic payment which is

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based on previous work. The benefits are reduced (but not below zero) by an amount equal to the amount of the individual's pension retirement or retired pay, annuity, or other payments, which include social security. The amount of the reduction is determined by the individual's local unemployment office.

168. REPORTING PROCEDURE—Given below is the procedure for reporting and remittance of unemployment insurance contributions for employees of the State's subgroups covered under the program.

168.1 REPORT OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS—Unemployment insurance contributions deducted from an employee's wages are reported and paid to the Division of Pensions on a quarterly basis. The checks covering the total amount of the contributions must be made payable to the "Treasurer-State of New Jersey." The Quarterly Reports are filed with the contributions due within 15 days after the end of each calendar quarter, and the employer's identification number must always be indicated on the report. The report is prepared in duplicate with the original sent to the Division of Pensions, while the duplicate copy is retained by the employer.

168.2 THE ITEMS OF THE QUARTERLY REPORT OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS—

ITEM 1—Number of covered workers: Enter in the space provided for each different month the "number" of workers who worked or received compensation during the payroll period which includes the 12th day of the month. This "number" should include workers on daily, weekly, semimontly, monthly, semiannual, annual, and any other type of payroll. The "number of workers" should include all full-time and part-time workers, those engaged in force-account construction, and those on paid vacation and paid sick leave. Exclude from the count those workers on pension, in the armed forces, and those on leave of any kind without pay. Workers who, because of a labor dispute, did not work or receive compensation in the payroll period considered, should also be excluded. CETA and Non-CETA workers are listed separately in completing all such items.

ITEM 2—Number of women on payroll: Enter the "number" of female workers included in item 1 who worked or received compensation during the payroll period which includes the 12th day of the third month. If none of the workers are female, enter a zero.

ITEM 3—Total of all wages paid: Enter the total of all wages, without deductions, paid during the quarter for employment, regardless of the period in which such wages were earned. The amount of wages entered should, in all cases, include those in excess of the first $6,900 and should include money wages and a reasonable cash value of all other remuneration other than cash, such as board and room, lodging, etc.

ITEM 4—Wages paid in excess of $6,900: Enter any wages paid

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during the quarter and included in item 3, in excess of $6,900, paid any individual worker during the calendar year and reportable as taxable wages for covered employment in this or any other state.

ITEM 5—Taxable wages: Subtract the value of the wages contained in item 4, (Wages paid in excess of the first $6,900), from the value contained in item 3, (Total of all wages).

ITEM 6—Total contributions due: Enter the amount of contributions at 0.5 percent (.0050) of the taxable wages shown in item 5. Generally, no deductions are made on CETA wages.

168.3 STATISTICAL SUPPLEMENT TO QUARTERLY CONTRIBUTION REPORTS—The law requires that the Divison of Pensions prepare statistical data for the Department of Labor and Industry, and such reports must be filed no later than 1 month following the close of the calendar quarter. The preparation of the data can be made only after the employer's Quarterly Report is received by the Division. Employers, therefore, should remit their Quarterly Reports and checks covering the value of the unemployment insurance contributions deducted from the employees' salaries no later than the 15th day following the close of the calendar quarter.

168.4 REPORTS TO CONTRACTOR—One copy of "Quarterly Contributions Report" (Form U.C. 276 Non-CETA and Form U.C. 276-1 CETA) and one copy of "Statistical Supplement to Quarterly Contributions Report" (Form U.C.-11B) are mailed to the contractor immediately after the originals are mailed to the Division of Unempolyment and Disability Insurance.

169.1 SERVICES PERFORMED BY THE CONTRACTOR—The contractor provides direction and assistance for unemployment insurance purposes with respect to wage reporting, claims processing, training programs for personnel-payroll staff, attendance at hearings, and informational reports.

The contractor, based on payroll and separation information provided by State biweekly and monthly reporting employers, reviews all claims notices and determinations, both monetary and nonmonetary, and consults with personnel officers as to the filing of protests and appeals. Also, the contractor will protest all cases in which the initial determination concerning an award is incorrect or questionable and file an appeal in a proper case. If a hearing is held on a protested claim, a representative of the contractor will attend the hearing to provide assistance to the representative of the employing agency.

169.2 REPORTS PREPARED BY THE CONTRACTOR—Each month, department officers will receive reports of claims filed by employing units, the disposition of such claims, and a summary of benefits liability, listing each employee receiving benefits and showing separately month and year-to-date totals. The reports should be re-

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viewed to determine whether the employees have been correctly identified and that the information pertaining to their benefits status is correct. If any error is discovered, the contractor must be immediately notified.

Quarterly Reports will be remitted to the Division showing the statistical information on the State's claim experience and will include information to identify the reasons for separations, number of claims, liability, etc.

170. BENEFITS—The following describe the benefit administration for purposes of temporary disability insurance:

170.1 APPLICATION FOR BENEFITS—When a covered employee becomes sick or disabled and is under the care of a licensed physician, dentist, podiatrist, or chiropractor, a Form DS-1 ("Claim for Disability Benefits") should be obtained from the employer, any Unemployment Insurance Claims Office or the Disability Insurance Service, P.O. Box 825, Trenton, New Jersey 08625. The form should be completed and mailed promptly. Loss of benefits can result if it is filed more than 30 days after the start of the disability.

170.2 BENEFIT PAYMENTS—No benefits shall be payable for the first 7 consecutive days of each period of disability except that if benefits shall be payable for 3 consecutive weeks with respect to any period of disability, then benefits shall also be payable with respect to the first 7 days thereof. The weekly maximum benefit is $123 and is payable for no more than 26 weeks with respect to any one period of disability. However, employees will not be able to collect disability benefits until they have exhausted all of their accumulated sick leave. Benefits will be determined by the Disability Insurance Service Unit, Department of Labor and Industry, Trenton.

For purposes of temporary disability insurance, the pension offset provisions discussed in section 167.3 are applicable only if the pensioner is being paid by his most recent employer.

171. REPORTING PROCEDURE AND REPORTS—The procedure for the reporting and remittance of unemployment insurance contributions as set forth in section 168.1 is followed for temporary disability insurance purposes. However, a separate temporary disability insurance report similar to the one described for unemployment insurance in section 168.2 must be completed and sent to the Division of Pensions. The reports are sent together with the checks covering the total amount of temporary disability insurance contributions deducted from the employees' taxable wages.

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