

New Jersey Alternate Benefit Program

Overview for the
Joint Legislative Committee on Public
Employee Benefits Reform

August 31, 2006



NJ Alternate Benefit Program

⌘ History

- Established in 1965
- Provides Retirement, Long-Term Disability and Life Insurance Benefits to Eligible Employees of:
 - ⌘ State colleges and universities
 - ⌘ County colleges
 - ⌘ Higher Education Student Assistance Authority
 - ⌘ State Department of Education



NJ Alternate Benefit Program

⌘ History

- Retirement Benefit Funded by EmployEE and EmployER Mandatory Contributions
- EmployEE Contributions at 5% of Salary
- EmployER Contributions at 8% of Salary
- Employer Contribution Funded by the State for All Participants Except Non-faculty Positions at County Colleges



NJ Alternate Benefit Program

⌘ History

- Administrative Expenses
 - ⌘ Paid by the State
 - Contributions Invested in Annuity Contracts
 - Employee Directed Investments
- Annuities provided through Third Party Insurer
- ⌘ TIAA-CREF Exclusively Until 1995
 - ⌘ TIAA-CREF and 5 other Providers since 1995



NJ Alternate Benefit Program

⌘ History

- Current Third Party Annuity providers
 - ∩ AIG VALIC
 - ∩ AXA Equitable Life Insurance Company
 - ∩ The Hartford
 - ∩ ING Life Insurance and Annuity Co.
 - ∩ Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
 - ∩ Met Life (formerly Travelers/CitiStreet)



NJ Alternate Benefit Program

⌘ Current Stats

- Active Members (as of June 30, 2005)
 - ∩ 16,900
- Assets Under Management
 - ∩ In Excess of \$ 8 billion
- Annual Administrative Expense
 - ∩ \$ 282,000 (FY 2006)

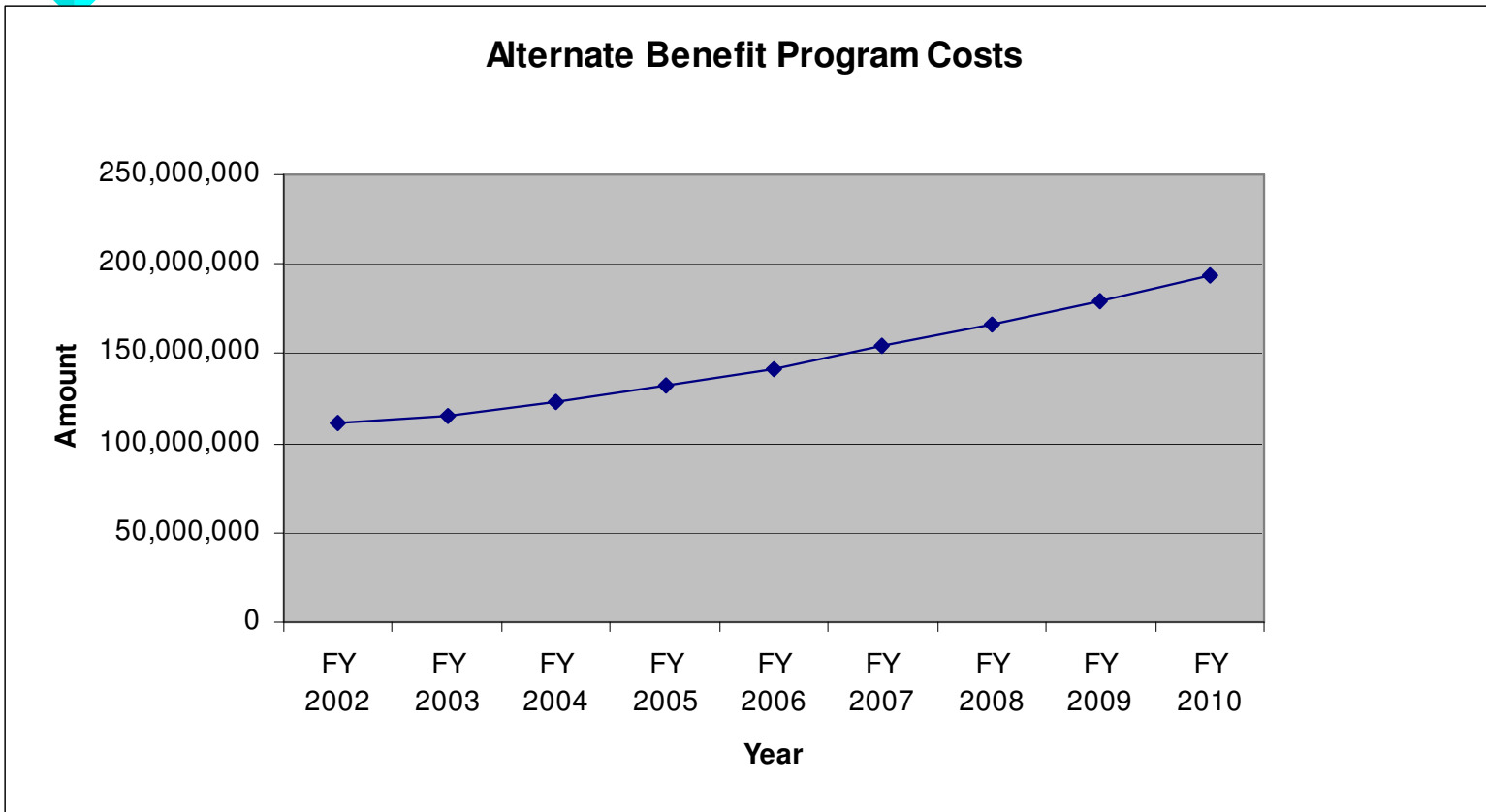


NJ Alternate Benefit Program

⌘ Current Stats

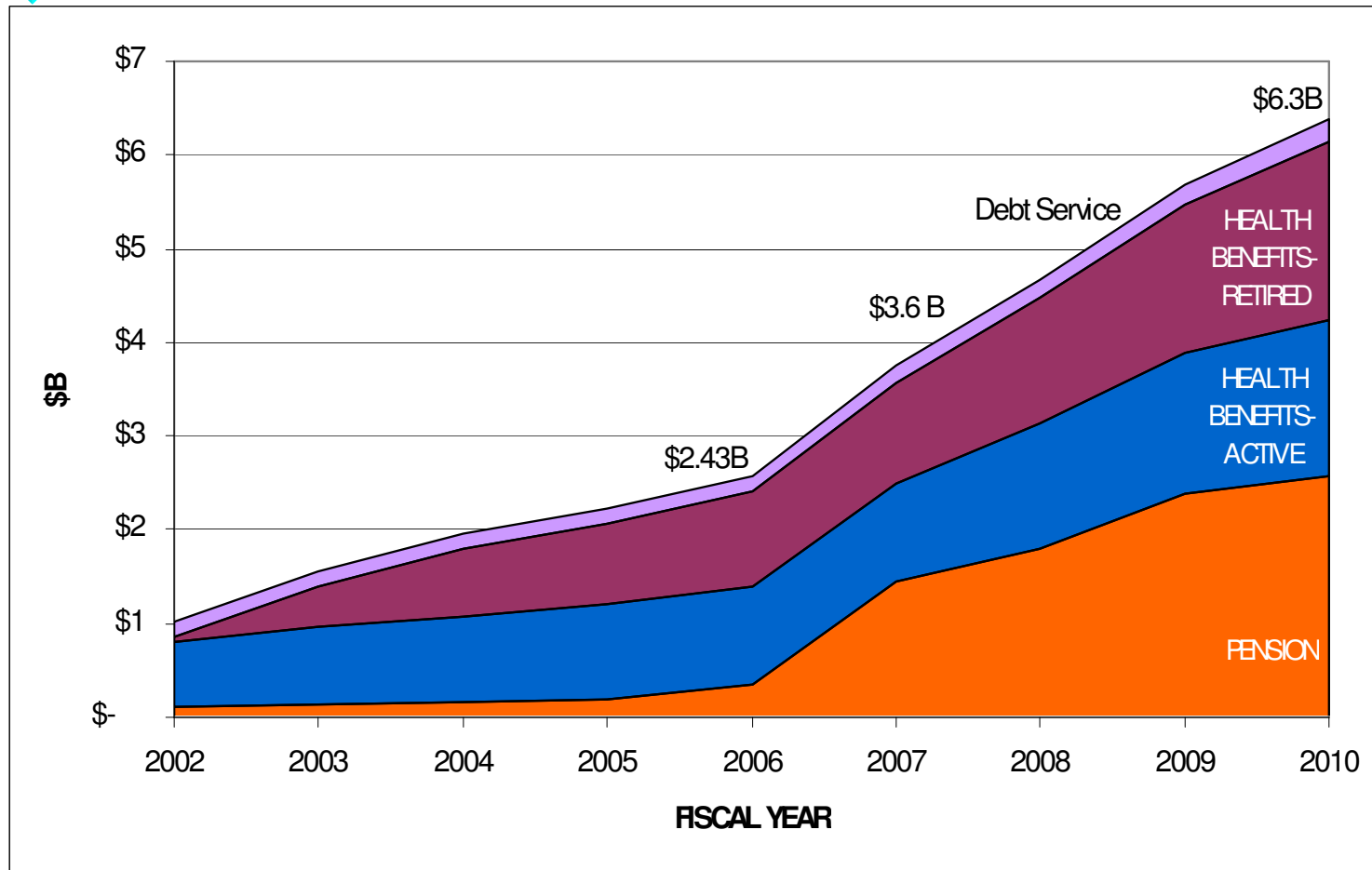
- Annual Appropriation for Employer Contributions —
\$ 151.2 million (FY 2007)
 - ∩ State Employees — \$ 1.3 million
 - Pension — \$ 1,018,000
 - Insurance — \$ 264,000
 - ∩ State Higher Education Employees— \$ 131.2 million
 - Pension — \$ 113,929,000
 - Insurance — \$ 17,221,000
 - ∩ County College Employees— \$ 18.7 million
 - Pension — \$ 15,626,000
 - Insurance — \$ 3,086,000

Historical and Projected Costs



August 31, 2006

State Benefit Program Spending



August 31, 2006



NJ Alternate Benefit Program

⌚ Eligibility

- Employed by any of the State or County Universities or Colleges, and are either
 - *Full-time* faculty,
 - *Full-time* Officers,
 - *Full-time* Visiting professors, or
 - *Full-time* Professional administrative staff required to possess a minimum of a college bachelor's degree or its equivalent



NJ Alternate Benefit Program

⌘ Definition of “*Full-Time*”

- anyone receiving 50% or more of base salary,
- may include anyone on sabbatical or paid leave of absence



NJ Alternate Benefit Program

⌚ Not Eligible for Enrollment

- part-time or adjunct faculty,
- temporary employees (with the exception of visiting professors appointed for a school year, a semester, or a lesser period of time),
- faculty members temporarily in the US under an F or J visa,
- employees in a career service title as defined by the NJ State Department of Personnel,
- employees in clerical and other nonprofessional positions, and
- any employee receiving a retirement benefit from any NJ State retirement system including ABP



NJ Alternate Benefit Program

⊕ Contributions

- 5% of base or contractual salary (414h mandatory contribution)
- 8% employer matching contribution (401a employer contribution)
- Additional voluntary contributions (403b) may also be made



NJ Alternate Benefit Program

⊗ Vesting

- immediately vested if new member:
- has existing retirement account containing contributions from employment in higher education, or
- is an active or vested member of a federal or state retirement system

Vested members of ABP are eligible to apply for loans which are made from the member's account balances.



NJ Alternate Benefit Program

⊗ Delayed Vesting

If a new member is not vested, the mandatory contributions are held in a delayed vesting status during the initial year of membership.

If an employee is not eligible to continue in ABP for the second year of employment,

- Former member may apply for a refund of employee mandatory contributions
- Employer contributions revert back to the employer.

During delayed vesting, loans and transfer of funds between carriers are not permitted.



NJ Alternate Benefit Program

⊗ Long-Term Disability

- employer-paid
- eligible for the benefit
 - ⋄ after six consecutive months of total disability, and
 - ⋄ after one year of participation in ABP
- totally disabled
- occupational or non-occupational condition
- benefit up to 60% of the base salary
 - ⋄ offset by any other periodic benefit



NJ Alternate Benefit Program

⌚ Long-Term Disability

- mandatory contributions to retirement account continue
- benefits will be paid as long as the member:
 - ⌚ remains disabled,
 - ⌚ until attains age 70, or
 - ⌚ begins receiving payments under a retirement annuity.



NJ Alternate Benefit Program

⌚ Disability Defined

- unable to perform one or more essential duties
- unable to engage in any gainful occupation for which he/she is reasonably suited by education, training or experience

A disability is not considered to exist if the member is gainfully employed, or if the disability resulted from an act of war, or intentionally self-inflicted



NJ Alternate Benefit Program

⌚ Group Life Insurance

- Employer paid
- 3½ times annual base salary (active)
- ½ times annual base salary (retired)
 - ⌚ minimum of 10 years of service,
 - ⌚ minimum age 60 at retirement, and
 - ⌚ begins receiving payments under a retirement annuity within 12 months of being in active employment status.

Conversion upon termination of employment is permitted



NJ Alternate Benefit Program

⌘ Loans

- Vested members are eligible to receive loans based on their account balances
- Loans provisions vary between carriers
 - υ amount,
 - υ frequency, and
 - υ interest rate.



NJ Alternate Benefit Program

⌘ Distributions

Benefits are paid directly by the investment carrier and are determined by using the carrier's annuity products, options and the individual member's accumulated account value.