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Please Reply to Newark

April 6, 2010

TO: ALL STATE PBA DELEGATES

RE: NEW PENSION AND HEALTH BENEFITS LAWS

On March 22, 2010, Governor Christie signed into law several bills dealing with pension and health insurance benefits. Senate Bills 2, 3, 4 and Senate Concurrent Resolution-1 are available on the New Jersey Legislature's website ([www.njleg.state.nj.us](http://www.njleg.state.nj.us)). The new laws will go into effect on May 21, 2010. This is a summary of the some of the more significant points applicable to PFRS members. It is not a complete summary of each law. This summary is also not intended to provide legal advice. Many of the provisions are subject to interpretation. Law enforcement officers who have questions about how these laws may affect them should consult the State PBA, their PBA Local or their personal attorneys.

**P.L. 2010, c. 1 (Senate Bill-2)**

Changes pension calculations from the highest 1 year to highest 3 years for all new employees in PFRS (employees hired after effective date of law, or May 21, 2010). This does not affect any currently employed law enforcement officers;

For employees who become members of the retirement system after the effective date of the law, imposes the salary cap for pension purposes linked to Social Security maximum contribution limit. In 2010, the maximum is approximately \$106,800.00. This does not affect any currently employed officers;

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Repeals the benefit enhancement which would have allowed PFRS members to retire with 70% maximum compensation if the funding level of the retirement fund exceeded 104%;

For employees who become members of the retirement system after the effective date of the law, repeals the statutory non-forfeitable rights provision in State-administered retirement systems. This does not affect any currently employed officers.

**P.L. 2010, c. 2 (Senate Bill-3)**

Applies to all participants in the SHBP and those jurisdictions with private insurance including self-insurance.

All employees will be required to contribute 1.5% of base salary on the effective date of the bill if your contract has already expired. Unless a new contract is signed by May 21<sup>st</sup>, you will begin paying 1.5% of base salary toward health benefits on that date;

If your contract has not yet expired, officers will begin paying 1.5% when it expires. It is a contribution of a minimum of 1.5%. Parties may negotiate contributions over and above the 1.5%.

Current employees (officers on the payroll as of May 22, 2010) will not pay this statutory 1.5% after they retire even if they are paying 1.5% while employed. This is supported by the Office of Legislative Service in Trenton, the legislative agency that is involved in drafting the legislation.

Individuals who become members of the retirement system after the effective date of the new law would also pay 1.5% of base salary plus any additional amounts required by a contract. These new employees will also pay 1.5% of their retirement allowances when they retire.

Any changes in health benefits in State Health Benefits Program (SHBP) negotiated for State employees after the effective date of the bill and included in an Agreement between the State and the State employees union (i.e., CWA, AFSCME, IFPTE) "shall be made applicable by the Commission" to all participating employers and their employees.

The bill also reduces the amount of compensation for an employee who waives coverage in the SHBP. After the effective date of the bill, the value of a waiver is reduced. Now, compensation for a waiver is no more than 50% of the amount saved. After the effective date, it is no more than 25%, or \$5,000, whichever is less, of the amount saved.

It prohibits duplicate or multiple coverage in the SHBP as an employee, dependent, or retiree.

It allows employers to offer selected plans in the SHBP through the bargaining process. For example, the SHBP currently offers NJ Direct 10 and 15, Aetna HMO and Cigna Healthcare HMO to local employers. In bargaining, the employers could offer all plans, just one plan, or a combination.

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P.L. 2010, c.3 (Senate Bill 4)

For employees hired after the effective date of the new law (May 21, 2010):

- (1) limits sick leave payout to \$15,000 payable only at time of retirement;
- (2) in non-civil service jurisdictions, permits only one year's worth of vacation time carried over year to year only if vacation cannot be taken because of "business demands" (current law already governs civil service jurisdictions);
- (3) vacation that cannot be taken because of duties directly related to a state of emergency declared by the Governor may accumulate at the discretion of the employer until, pursuant to a plan established by the employer, the leave is used or the employee is paid for any unused leave; however this plan is not subject to collective bargaining.

This law does not affect currently employed law enforcement officers.

SENATE CONCURRENT RESOLUTION No.1

A constitutional amendment to require the State and local governments, effective July 1, 2011, to pay each year the full amount of their contribution obligations for each pension plan operated by the State. Starting in FY 2012 (7/1/11), only the State would be required to pay 1/7 of the required amount. Every year, this would increase by 1/7 of the required amount until reaching the full required amount.

This resolution will be placed on the ballot at the next general election occurring more than 3 months after it is agreed to by the Legislature, which is November 2010.

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