ASSEMBLY, No. 221



STATE OF NEW JERSEY

220th LEGISLATURE



PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Assemblywoman NANCY F. MUNOZ

District 21 (Morris, Somerset and Union)

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Assemblywoman Matsikoudis

SYNOPSIS

Provides that public employee pension benefits are calculated on base salary exclusive of various forms of extra compensation.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



An Act concerning the base salary of a member of a State-administered retirement system and supplementing Title 43 of the Revised Statutes.

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

1. a. The compensation of a member subject to pension and group life insurance contributions and creditable for retirement and death benefits in a State-administered retirement system or fund shall be limited to base salary, and shall not include extra compensation. For purposes of this section:

“Base salary” means the annual compensation of a member, plus the value of maintenance, if applicable, in accordance with contracts, ordinances, resolutions or other established salary policies of the member’s employer for all employees in the same position, or all employees covered by the same collective bargaining agreement, which is paid in regular, periodic installments in accordance with the payroll cycle of the employer; and

“Extra compensation” means individual salary adjustments which are granted primarily in anticipation of a member’s retirement or as additional remuneration for performing temporary duties beyond the regular workday or work year. Forms of extra compensation include, but are not limited to:

(1) Overtime;

(2) Pay for extra work, duty or service beyond the normal workday or work year, or bonuses;

(3) Lump-sum payments for longevity, holiday pay, vacation, compensatory time, accumulated sick leave, or any other purpose;

(4) Any compensation which the employee or employer has the option of including in base salary;

(5) Sell-backs, trade-ins, waivers, or voluntary returns of accumulate sick leave, holiday pay, vacation, overtime, compensatory time, or any other payment or benefits in return for an increase in base salary;

(6) Individual retroactive salary adjustments when no sufficient justification is provided that the adjustment was granted primarily for a reason other than retirement;

(7) Individual adjustments to place a member at the maximum of his or her salary range in the final year of service when no sufficient justification is provided that the adjustment was granted primarily for a reason other than retirement;

(8) Increments or adjustments granted for retirement credit, or increments or adjustments in recognition of the member’s forthcoming retirement;

(9) Any form of compensation which is not included in the base salary of all employees in the same position or covered by the same collective bargaining agreement who are members of the retirement system or fund and who receive the compensation, or retroactive increments or adjustments made at or near the end of a member’s service, unless the adjustment was the result of an across-the-board adjustment for all similarly situated personnel; and

(10) Any form of compensation which is not included in a member’s base salary during some of the member’s service and is included in the member’s base salary upon attainment of a specified number of years of service.

b. The board of trustees, or administering commission, of a retirement system or fund may question the compensation of any member or retiree to determine its creditability when there is evidence that compensation reported as base salary may include extra compensation.

c. Extra compensation shall not be considered creditable for benefits and all contributions made thereon shall be returned without interest.

d. With respect to all claims for benefits, the Division of Pensions and Benefits shall investigate increases in compensation reported for credit which exceed the reasonably anticipated annual compensation increases for members of a retirement system or fund based upon either the increase in the Consumer Price Index for the time period of the increases and the table of assumed salary increases recommended by the actuary and adopted by the board of trustees, or administering commission, of a system or fund, or based on the averages of the regular increases in the employees’ compensation preceding the periods in which the extra compensation was received. Those cases when a violation of law is suspected shall be referred to the board of trustees, or administering commission, of the appropriate retirement system or fund.

2. This act shall take effect immediately.

STATEMENT

This bill provides that the compensation of a public employee subject to pension and group life insurance contributions and creditable for retirement and death benefits in a State-administered retirement system or fund will be limited to base salary and will not include extra compensation. The bill’s definition of forms of extra compensation includes, but is not limited to, overtime pay; pay for extra work, duty or service beyond the normal workday or work year; bonuses; lump-sum payments for longevity, holiday pay, vacation, compensatory time or accumulated sick leave; or increments or adjustments in recognition of the member’s forthcoming retirement.

The bill further provides that the Division of Pensions and Benefits will investigate increases in compensation reported for credit which exceed the reasonably anticipated annual compensation increases for members of a retirement system.