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# EdLawAlert

By the EdLaw Group at Lindabury

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**SPECIAL UPDATE**

*The EDUCATION LAW GROUP at Lindabury has extensive experience in the area of school law. We serve as general counsel, special education counsel, and labor counsel for boards of education throughout the State.*

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## Department of Community Affairs Interprets New Law Requiring Public Employees to Contribute to Health Benefits

By Anthony P. Sciarrillo and Joshua S. Sklarin

On June 28, 2011, Governor Christie signed into law legislation that significantly impacts the pensions and health benefit of public employees, including board of education employees. On July 11, 2011, we issued an *EdLaw Alert* based upon the understanding and interpretation of the law with the information available as of July 5, 2011. In that *Alert*, we reviewed the law itself and the documents prepared by the New Jersey School Board Association and the New Jersey Department of Treasury, Divisions of Pensions and Benefits, both dated June 30, 2011. We stated that if there were any changes in interpretation, we would update you. On July 25, 2011, the Department of Community Affairs, Division of Local Government Services, issued a Local Finance Notice (“LFN”) which has changed the law’s interpretation in certain areas and clarifies other key points. These interpretation changes and clarifications are as follows:

1. New Employees Covered by a Collective Bargaining Agreement (“CBA”) – According to the LFN, as well as a closer reading of the law, new employees who begin work on or after the effective date, June 28, 2011, and are covered by an existing CBA that is not expired, and thus not subject to the new contribution amounts, will be considered part of that unexpired CBA and not begin the new contributions until the CBA’s expiration. These employees will be treated the same as current employees covered under the CBA. All new employees not covered by an unexpired existing CBA or other contract are to contribute the full (100%) phase-in amount as set forth in the law.

(cont’d ➔)

2. Employees with Individual Employment Agreements – According to the LFN, contracts entered into prior to June 28, 2011, are subject to the contribution rate, if any, as set forth in the applicable contract. As such, those contracts are not subject to the phase-in amounts. The issue as to the effective date of those contracts and contribution rates that are to be applied, remains unresolved.
3. School Employee Health Benefit ("SEHBP") Contributions – As stated in our July 11, 2011, *EdLaw Alert*, the contributions required of employees whose boards of education participate in the SEHBP are based upon medical and prescription coverage only. This means that if the board of education

provides other health benefits, such as dental and vision, these are not to be included in the calculation of the contribution. The LFN has clarified that where a board of education has medical through SEHBP, but has private prescription coverage, the prescription coverage remains included in the contribution calculation.

As with our prior *EdLaw Alert*, we will update you upon receipt of any additional information that changes the current interpretation of the law.

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*The information provided here is necessarily general and is not intended as legal advice or a substitute for legal advice. If you have any questions regarding this Alert, please contact Anthony P. Sciarrillo of the EdLaw Group at [edlawgroup@lindabury.com](mailto:edlawgroup@lindabury.com).*



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*Before making your choice of attorney, you should give this matter careful thought. The selection of an attorney is an important decision.*

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