

43:16A-15.6

LEGISLATIVE HISTORY CHECKLIST

NJSA: 43:16A-15.6

(Police & Firemens' Retirement System--special retirement allowance)

LAWS OF: 1989

CHAPTER: 204

Bill No: S2602

Sponsor(s): Russo

Date Introduced: May 26, 1988

Committee: Assembly: State Government

Senate: Revenue, Finance & Appropriations; State Government

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: Assembly: November 27, 1989

Senate: October 17, 1988

Date of Approval: December 19, 1989

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes

Senate: Yes 9-19-88 & 6-23-88

Fiscal Note: Yes

Veto Message: No

Message on signing: Yes

Following were printed:

Reports: No

Hearings: ~~No~~ Yes

See newspaper clippings--attached:

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"Assembly passes plan to sweeter pensions," 11-28-89 Asbury Park Press

"Governor favors better pensions..." 11-29-89 Home News

"Kean to sign bill increasing police, fire pensions by 5%" 11-29-89 Trenton Times

"Pension debate..." 2-28-89 Star Ledger

974.90            New Jersey. Legislature. General Assembly Committee on State  
P418             Government.  
1989             Public hearing on S2602, held 2-6-89. Trenton, 1989.

[THIRD REPRINT]

SENATE, No. 2602

STATE OF NEW JERSEY

INTRODUCED MAY 26, 1988

By Senator RUSSO

2 AN ACT concerning the membership and the retirement of  
3 certain members of the Police and Firemen's Retirement  
4 System, amending and supplementing P.L.1944, c.255, <sup>1</sup>[and]<sup>1</sup>  
5 amending P.L.1964, c.241 and P.L.1971, c.175, and repealing  
6 section 3 of P.L.1979, c.109<sup>1</sup> and section 3 of P.L.1982, c.198.

7 BE IT ENACTED *by the Senate and General Assembly of the*  
8 *State of New Jersey:*

9 1. Section 1 of P.L.1944, c.255 (C.43:16A-1) is amended to  
10 read as follows:

11 1. As used in this act:

12 (1) "Retirement system" shall mean the Police and Firemen's  
13 Retirement System of New Jersey as defined in section 2 of this  
14 act.

15 (2) <sup>1</sup>["Policeman or fireman" shall mean any permanent and  
16 full-time active uniformed employee, and any active permanent  
17 and full-time employee who is a detective, lineman, fire alarm  
18 operator, or inspector of combustibles of any police or fire  
19 department or any employee of a police or fire department who  
20 was a member of the retirement system for a period of 15 years  
21 prior to his transfer to a position within the department not  
22 otherwise covered by the retirement system or any officer or  
23 employee serving in the title of assistant superintendent I,  
24 assistant superintendent II, assistant superintendent III,  
25 superintendent I, superintendent II, superintendent III or  
26 administrator, prison complex within the Department of  
27 Corrections who, prior to appointment to any of those titles, was  
28 a member of the retirement system. It shall also mean any  
29 permanent, active and full-time firefighter or ~~officer~~ employee  
30 of the State of New Jersey, or any political subdivision thereof,  
31 with police powers and holding one of the following titles: motor  
32 vehicles officer, motor vehicles sergeant, motor vehicles

lieutenant, motor vehicles captain, assistant chief, bureau of  
2 enforcement, and chief, bureau of enforcement in the Division of  
Motor Vehicles, highway patrol officer, sergeant highway patrol  
4 bureau, lieutenant highway patrol bureau, captain highway patrol  
bureau, assistant chief highway patrol bureau, and chief highway  
6 patrol bureau in the Division of State Police, alcoholic beverage  
control investigator, alcoholic beverage control inspector,  
8 assistant deputy director, bureau of enforcement, and deputy  
director, bureau of enforcement in the Division of Alcoholic  
10 Beverage Control, inspector recruit alcoholic beverage control,  
inspector alcoholic beverage control, senior inspector alcoholic  
12 beverage control, principal inspector alcoholic beverage control,  
and supervising inspector alcoholic beverage control in the  
14 Division of State Police, conservation officer I, II, III, supervising  
conservation officer, and chief, bureau of law enforcement in the  
16 Division of Fish, Game and Wildlife, ranger trainee, ranger, chief  
ranger I and chief ranger II in the State Park Service, field  
18 section fire warden, chief, Bureau of Forest Fire Management,  
State forest fire warden, supervising forester (fire), principal  
20 forester (fire), senior forester (fire), assistant forester (fire),  
supervising forest fire warden, division forest fire warden,  
22 assistant division forest fire warden, and section forest fire  
warden in the Bureau of Forest Fire Management, Department of  
24 Environmental Protection, marine police officer, senior marine  
police officer, and principal marine police officer in the Division  
26 of State Police, marine patrolman, senior marine patrolman,  
principal marine patrolman, and chief, bureau of marine law  
28 enforcement, State fire marshal, deputy State fire marshal, and  
inspector fire safety, Department of Law and Public Safety,  
30 institution fire chief and assistant institution fire chief,  
Department of Human Services, correction officer, senior  
32 correction officer, correction officer sergeant, correction officer  
lieutenant, correction officer captain, investigator, senior  
34 investigator, principal investigator, assistant chief investigator,  
chief investigator and director of custody operations I, II, III in  
36 the Department of Corrections, medical security officer,  
assistant supervising medical security officer, and supervising  
38 medical security officer in the Department of Human Services,

2 county detectives, deputy chief of county detectives,  
chief of county detectives, supervising auditor-investigator,  
auditor-investigator, electronics specialist, traffic safety  
4 coordinator-investigator, supervisor of electronics and  
investigations, and county investigator in the offices of the  
6 county prosecutors, county sheriff, sheriff's officer, sergeant  
sheriff's officer, lieutenant sheriff's officer, captain sheriff's  
8 officer, chief sheriff's officer, and sheriff's investigator in the  
offices of the county sheriffs, county correction officer, county  
10 correction sergeant, county correction lieutenant, county  
correction captain, and county deputy warden in the several  
12 county jails, industrial trade instructor and identification officer  
in a county of the first class having a population of more than  
14 850,000 inhabitants, cottage officer, head cottage officer,  
interstate escort officer, juvenile officer, head juvenile officer,  
16 assistant supervising juvenile officer, and supervising juvenile  
officer, chief investigator, assistant chief investigator, senior  
18 investigator and investigator in a county welfare agency in a  
county of the first class, if the county adopts an ordinance or  
20 resolution, as appropriate, pursuant to subsection a. of section 2  
of P.L.1985, c.221 (C.43:16A-62.3), police officer capitol police  
22 and senior police officer capitol police in the Division of State  
Police, patrolman capitol police, patrolman institutions, sergeant  
24 patrolman institutions, and supervising patrolman institutions and  
patrolman or other police officer of the Board of Commissioners  
26 of the Palisades Interstate Park appointed pursuant to  
R.S.32:14-21.

28 After the effective date of this 1988 amendatory and  
supplementary act, however, "policeman or fireman" shall mean  
30 any permanent and full-time active uniformed employee of a  
police or fire department, and any active permanent and  
32 full-time employee who is a detective, lineman, fire alarm  
operator, or inspector of combustibles of a police or fire  
34 department, appointed or employed subsequent to that effective  
date who has received Police Training Commission certification  
36 and, in the case of an employee of a police department, who has  
full police powers, has received firearms training, and has  
38 firearms carrying privileges; and shall also mean any person who

2 Any employees of a police or fire department who are employed  
3 after that effective date and who do not meet those  
4 qualifications shall not be members of the retirement system. In  
5 no instance shall an employee of a police or fire department who  
6 was employed prior to the effective date of P.L.1986, c.112 and  
7 who shall assume a new title by merit of promotion or a change in  
8 title of position be denied continued membership in the Police  
9 and Firemen's Retirement System.]

10 (a) "Policeman" shall mean a permanent, full-time employee  
11 of a law enforcement unit as defined in section 2 of P.L.1961,  
12 c.56 (C.52:17B-67) or the State, other than an officer or trooper  
13 of the Division of State Police whose position is covered by the  
14 State Police Retirement System, whose primary duties include  
15 the investigation, apprehension or detention of persons suspected  
16 or convicted of violating the criminal laws of the State and who:

17 (i) is authorized to carry a firearm while engaged in the actual  
18 performance of his official duties;

19 (ii) has police powers;

20 (iii) is required to complete successfully the training  
21 requirements prescribed by P.L.1961, c.56 (C.52:17B-66 et seq.)  
22 or comparable training requirements as determined by the board  
23 of trustees; and

24 (iv) is subject to the physical and mental fitness requirements  
25 applicable to the position of municipal police officer established  
26 by an agency authorized to establish these requirements on a  
27 Statewide basis, or comparable physical and mental fitness  
28 requirements as determined by the board of trustees.

29 The term shall also include an administrative or supervisory  
30 employee of a law enforcement unit or the State whose duties  
31 include general or direct supervision of employees engaged in  
32 investigation, apprehension or detention activities or training  
33 responsibility for these employees and a requirement for  
34 engagement in investigation, apprehension or detention activities  
35 if necessary, and who is authorized to carry a firearm while in  
36 the actual performance of his official duties and has police  
37 powers.

38 (b) "Fireman" shall mean a permanent, full-time employee of  
39 a firefighting unit whose primary duties include the control and

2 physical and mental fitness requirements applicable to the  
3 position of municipal firefighter established by an agency  
4 authorized to establish these requirements on a Statewide basis,  
5 or comparable training and physical and mental fitness  
6 requirements as determined by the board of trustees. The term  
7 shall also include an administrative or supervisory employee of a  
8 firefighting unit whose duties include general or direct  
9 supervision of employees engaged in fire control and  
10 extinguishment activities or training responsibility for these  
11 employees and a requirement for engagement in fire control and  
12 extinguishment activities if necessary. As used in this paragraph,  
13 "firefighting unit" shall mean a municipal fire department, a fire  
14 district, or an agency of a county or the State which is  
15 responsible for control and extinguishment of fires.<sup>1</sup>

16 (3) "Member" shall mean any policeman or fireman included in  
17 the membership of the retirement system <sup>1</sup>[as provided in section  
18 3 of this act] pursuant to this <sup>3</sup>[1988]<sup>3</sup> amendatory and  
19 supplementary act<sup>1 3</sup>, P.L. \_\_\_\_\_, c. (C. \_\_\_\_\_)<sup>3</sup>.

20 (4) "Board of trustees" or "board" shall mean the board  
21 provided for in section 13 of this act.

22 (5) "Medical board" shall mean the board of physicians  
23 provided for in section 13 of this act.

24 (6) "Employer" shall mean the State of New Jersey, the  
25 county, municipality or political subdivision thereof which pays  
26 the particular policeman or fireman.

27 (7) "Service" shall mean service as a policeman or fireman  
28 paid for by an employer.

29 (8) "Creditable service" shall mean service rendered for which  
30 credit is allowed as provided under section 4 of this act.

31 (9) "Regular interest" shall mean interest as determined  
32 annually by the State Treasurer after consultation with the  
33 Directors of the Divisions of Investment and Pensions and the  
34 actuary of the system. It shall bear a reasonable relationship to  
35 the percentage rate of earnings on investments but shall not  
36 exceed 105% of such percentage rate.

37 (10) "Aggregate contributions" shall mean the sum of all the  
38 amounts, deducted from the compensation of a member or  
39 contributed by him or on his behalf, standing to the credit of his  
40 individual account in the annuity savings fund.

2 (11) "Annuity" shall mean payments for life derived from the aggregate contributions of a member.

4 (12) "Pension" shall mean payments for life derived from contributions by the employer.

6 (13) "Retirement allowance" shall mean the pension plus the annuity.

8 (14) "Earnable compensation" shall mean the full rate of the salary that would be payable to an employee if he worked the full normal working time for his position. In cases where salary includes maintenance, the retirement system shall fix the value of that part of the salary not paid in money which shall be considered under this act.

12 (15) "Average final compensation" shall mean the average annual salary upon which contributions are made for the three years of creditable service immediately preceding his retirement or death, or it shall mean the average annual salary for which contributions are made during any three fiscal years of his or her membership providing the largest possible benefit to the member or his beneficiary.

14 (16) "Retirement" shall mean the termination of the member's active service with a retirement allowance granted and paid under the provisions of this act.

16 (17) "Annuity reserve" shall mean the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

18 (18) "Pension reserve" shall mean the present value of all payments to be made on account of any pension or benefit in lieu of any pension computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

20 (19) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality tables recommended by the actuary as shall be adopted by the board of trustees, and regular interest.

22 (20) "Beneficiary" shall mean any person receiving a retirement allowance or other benefit as provided by this act.



2 unmarried child (a) under the age of 18, or (b) 18 years of age or  
3 older and enrolled in a secondary school, or (c) under the age of  
4 24 and enrolled in a degree program in an institution of higher  
5 education for at least 12 credit hours in each semester, provided  
6 that the member died in active service as a result of an accident  
7 met in the actual performance of duty at some definite time and  
8 place, and the death was not the result of the member's willful  
9 misconduct, or (d) of any age who, at the time of the member's  
10 or retirant's death, is disabled because of mental retardation or  
11 physical incapacity, is unable to do any substantial, gainful work  
12 because of the impairment and his impairment has lasted or can  
13 be expected to last for a continuous period of not less than 12  
14 months, as affirmed by the medical board.

15 (22) "Parent" shall mean the parent of a member who was  
16 receiving at least one-half of his support from the member in the  
17 12-month period immediately preceding the member's death or  
18 the accident which was the direct cause of the member's death.  
19 The dependency of such a parent will be considered terminated by  
20 marriage of the parent subsequent to the death of the member.

21 (23) "Widower" shall mean the man to whom a member or  
22 retirant was married at least two years before the date of her  
23 death and to whom she continued to be married until the date of  
24 her death and who was receiving at least one-half of his support  
25 from the member or retirant in the 12-month period immediately  
26 preceding the member's or retirant's death or the accident  
27 which was the direct cause of the member's death. The  
28 dependency of such a widower will be considered terminated by  
29 marriage of the widower subsequent to the death of the ember or  
30 retirant. In the event of the payment of an accidental death  
31 benefit, the two-year qualification shall be waived.

32 (24) "Widow" shall mean the woman to whom a member or  
33 retirant was married at least two years before the date of his  
34 death and to whom he continued to be married until the date of  
35 his death and who has not remarried. In the event of the payment  
36 of an accidental death benefit, the two-year qualification shall  
37 be waived.

38 (25) "Fiscal year" shall mean any year commencing with July  
1, and ending with June 30, next following.

2 as a member as defined in this act, which is in accordance with  
3 established salary policies of the member's employer for all  
4 employees in the same position but shall not include individual  
5 salary adjustments which are granted primarily in anticipation of  
6 the member's retirement or additional remuneration for  
7 performing temporary duties beyond the regular workday.

8 (27) "Department" shall mean any police or fire department of  
9 a municipality or a fire department of a fire district located in a  
10 township or a county police or park police department or the  
11 appropriate department of the State or instrumentality thereof.

12 (28) "Final compensation" means the compensation received  
13 by the member in the last 12 months of creditable service  
14 preceding his retirement.

15 (cf: P.L.1986, c.165, s.1)

16 2. Section 6 of P.L.1944, c.255 (C.43:16A-6) is amended to  
17 read as follows:

18 6. (1) Upon the written application by a member in service, by  
19 one acting in his behalf or by his employer, any member, under 55  
20 years of age, who has had 5 or more years of creditable service  
21 may be retired [, not less than 1 month next following the date of  
22 filing such application,] on an ordinary disability retirement  
23 allowance; provided, that the medical board, after a medical  
24 examination of such member, shall certify that such member is  
25 mentally or physically incapacitated for the performance of his  
26 usual duty and of any other available duty in the department  
27 which his employer is willing to assign to him and that such  
28 incapacity is likely to be permanent and to such an extent that he  
29 should be retired.

30 (2) Upon retirement for ordinary disability, a member shall  
31 receive an ordinary disability retirement allowance which shall  
32 consist of:

33 (a) An annuity which shall be the actuarial equivalent of his  
34 aggregate contributions and

35 (b) A pension in the amount which, when added to the  
36 member's annuity, will provide a total retirement allowance of 1  
37 1/2 % of average final compensation multiplied by his number of  
38 years of creditable service but in no event shall the total  
39 allowance be less than 40% of the member's average final  
40 compensation.

(3) Upon the receipt of proper proofs of the death of a member who has retired on an ordinary disability retirement allowance, there shall be paid to such member's beneficiary, an amount equal to 3 1/2 times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service; provided, however, that if such death shall occur after the member shall have attained 55 years of age the amount payable shall equal 1/2 of such compensation instead of 3 1/2 times such compensation.

(cf: P.L.1971, c.175, s.3)

3. Section 7 of P.L.1944, c.255 (C.43:16A-7) is amended to read as follows:

7. (1) Upon the written application by a member in service, by one acting in his behalf or by his employer any member may be retired [, not less than 1 month next following the date of filing such application,] on an accidental disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that the member is 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 and that such disability was not the result of the member's willful negligence and that such member is mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the department which his employer is willing to assign to him. The application to accomplish such retirement must be filed within 5 years of the original traumatic event, but the board of trustees may consider an application filed after the 5-year period if it can be factually demonstrated to the satisfaction of the board of trustees that the disability is due to the accident and the filing was not accomplished within the 5-year period due to a delayed manifestation of the disability or to other circumstances beyond the control of the member.

(2) Upon retirement for accidental disability, a member shall receive an accidental disability retirement allowance which shall consist of:

(a) An annuity which shall be the actuarial equivalent of his aggregate contributions and

(b) A pension in the amount which shall be the actuarial equivalent of his aggregate contributions and

2 member's annuity, will provide a total retirement allowance of  
2 2/3 of the member's actual annual compensation for which  
contributions were being made at the time of the occurrence of  
4 the accident.

(3) Upon receipt of proper proofs of the death of a member  
6 who has retired on accidental disability retirement allowance,  
there shall be paid to such member's beneficiary, an amount  
8 equal to 3 1/2 times the compensation upon which contributions  
by the member to the annuity savings fund were based in the last  
10 year of creditable service; provided, however, that if such death  
shall occur after the member shall have attained 55 years of age  
12 the amount payable shall equal 1/2 of such compensation instead  
of 3 1/2 times such compensation.

14 (4) Permanent and total disability resulting from a  
cardiovascular, pulmonary or musculo-skeletal condition which  
16 was not a direct result of a traumatic event occurring in the  
performance of duty shall be deemed an ordinary disability.  
18 (cf: P.L.1971, c.175, s.4)

4. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended to  
20 read as follows:

16. Should a member resign after having established 25 years  
22 of creditable service, he may elect "special retirement,"  
provided, that such election is communicated by such member to  
24 the retirement system by filing a written application, duly  
attested, stating at what time subsequent to the execution and  
26 filing thereof he desires to be retired. He shall receive, in lieu of  
the payment provided in section 11, a retirement allowance which  
28 shall consist of:

(1) An annuity which shall be the actuarial equivalent of his  
30 aggregate contributions, and

(2) A pension in the amount which, when added to the  
32 member's annuity, will provide a total retirement allowance of  
[60%] 65% of his final compensation, plus 1% of his final  
34 compensation multiplied by the number of years of creditable  
service over 25 but not over 30; provided, however, that any  
36 member who has earned, prior to July 1, 1970, more than 30 years  
of creditable service, shall receive an additional 1% of his final  
38 compensation for each year of his creditable service over 30.

The board of trustees shall retire him at the time specified or

2 at such other time within 1 month after the date so specified as  
the board finds advisable.

4 Upon the receipt of proper proofs of the death of such a retired  
member, there shall be paid to his beneficiary an amount equal to  
one-half of the final compensation received by the member.  
6 (cf: P.L.1982, c.198, s.2)

8 5. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to  
read as follows:

10 15. (1) The contributions required for the support of the  
retirement system shall be made by members and their employers.

12 (2) [Upon the basis of such tables recommended by the actuary  
as the board shall adopt and regular interest, the actuary of the  
14 retirement system shall determine for each age at entrance into  
the system the percentage of compensation of the member  
entering at such age, exclusive of the additional contribution  
16 prescribed by subsections (3)(c) and (3)(d) of this section, which, if  
deducted from each payment of his prospective earnable  
18 compensation throughout active service, is computed to be  
sufficient to provide for all benefits on account of his  
20 membership.]

22 The uniform percentage contribution rate for members shall be  
8.5% of compensation.

24 (3) [(a) The percentage contribution rate of each member,  
exclusive of the additional contribution prescribed by subsections  
(3)(c) and (3)(d) of this section, shall be fixed according to his age  
26 at entrance into membership and shall be one-half of the total  
percentage contribution rate calculated for such age to be  
28 required to provide all benefits except the pensions upon  
accidental disability and the benefits payable upon death.

30 (b) Notwithstanding the provisions of subsection (3)(a) of this  
section, the percentage contribution rates for members of the  
32 retirement system exclusive of the additional contribution  
prescribed by subsections (3)(c) and (3)(d) of this section, shall be  
34 fixed at the contribution rates in effect as of July 1, 1967.

36 (c) Effective July 1, 1968, all proportions of compensation are  
increased by an additional 1% of compensation which is subject to  
deductions from the compensation of members or contributions  
38 made on their behalf by their employers in lieu of such deductions.

2 supplementary act, all proportions of compensation are increased  
3 by an additional 1% of compensation which is subject to  
4 deductions from the compensation of members or contributions  
5 made on their behalf by their employers in lieu of such  
6 deductions.] (Deleted by amendment, P.L. \_\_\_\_\_, c. \_\_\_\_\_.)

7 (4) [Each employer shall make a contribution equal to that  
8 made by each member in its employ and in addition shall make a  
9 contribution equal to the percentage of the compensation of each  
10 such member certified by the retirement system to be required to  
11 provide the cost of accidental disability pensions and any death  
12 benefits on his account. Notwithstanding this provision, the  
13 retirement system shall certify an average and uniform rate for  
14 payments by all employers, which shall be set on the basis of the  
15 annual actuarial valuations to be sufficient to provide with  
16 previous contributions of employers all benefits for which  
17 employers are responsible. This shall be known as the "normal  
18 contribution."]

19 Each employer shall make contributions equal to the  
20 percentage of compensation of members in its employ as  
21 certified by the board of trustees based on annual actuarial  
22 valuations. The percentage rate of contribution payable by  
23 employers shall be determined initially on the basis of the entry  
24 age normal cost method. This shall be known as the "normal  
contribution."

25 (5) [In addition each employer shall make such contributions, if  
26 any, as is certified by the retirement system to be required to  
27 provide for accrued liability arising out of all prior service  
28 granted to members chargeable to such employer.] (Deleted by  
amendment, P.L. \_\_\_\_\_, c. \_\_\_\_\_.)

29 (6) The percentage rates of contribution payable by [future  
30 members and all] employers pursuant to subsection (4) of this  
31 section shall be subject to adjustment from time to time by the  
32 board of trustees with the advice of the actuary on the basis of  
33 annual actuarial valuations and experience investigations as  
34 provided under section 13, so that the value of future  
35 contributions of members and employers, when taken with  
36 present assets, shall be equal to the value of prospective benefit  
37 payments.

38 (7) [The retirement system shall certify to the chief fiscal

2 officer of each employer the percentage of salary payable by  
each member and by the employer in behalf of his employee  
4 members. The employer shall cause to be deducted from the  
salary of each member the percentage of earnable compensation  
6 of each member. The retirement system shall certify to each  
employer the proportion of each member's compensation to be  
8 deducted, and to facilitate the making of deductions it may  
modify the deduction required of any member by such an amount  
10 as shall not exceed 1/10 of 1% of the compensation upon the  
basis of which such deduction is to be made.] <sup>1</sup>[(Deleted by  
amendment, P.L. \_\_\_\_\_, c. \_\_\_\_.)]

12 Each employer shall cause to <sup>3</sup>[the] be<sup>3</sup> deducted from the  
salary of each member the percentage of earnable compensation  
14 prescribed in subsection (2) of this section. To facilitate the  
making of deductions, the retirement system may modify the  
16 amount of deduction required of any member by an amount not to  
exceed 1/10 of 1% of the compensation upon which the deduction  
18 is based.<sup>1</sup>

(8) The deductions provided for herein shall be made  
20 notwithstanding that the minimum salary provided for by law for  
any member shall be reduced thereby. Every member shall be  
22 deemed to consent and agree to the deductions made and  
provided for herein, and payment of salary or compensation less  
24 said deduction shall be a full and complete discharge and  
acquittance of all claims and demands whatsoever for the service  
26 rendered by such person during the period covered by such  
payment, except as to the benefits provided under this act. The  
28 chief fiscal officer of each employer shall certify to the  
retirement system in such manner as the retirement system may  
30 prescribe, the amounts deducted; and when deducted shall be paid  
into said annuity savings fund, and shall be credited to the  
32 individual account of the member from whose salary said  
deduction was made.

34 (9) Upon the basis of such tables recommended by the actuary  
as the board adopts and regular interest, the actuary shall  
36 compute the amount of the unfunded liability as of June 30,  
[1971] <sup>3</sup>[1987] 1988<sup>3</sup> which has accrued on the basis of service  
38 rendered prior to July 1, [1971] <sup>3</sup>[1987] 1988<sup>3</sup> by all members,  
which amount shall remain frozen and shall be amortized over a

2 period <sup>1</sup>[of] not to exceed<sup>1</sup> 40 years <sup>1</sup>as determined by the State  
3 Treasurer<sup>1</sup> [, including the amount of the liability arising out of  
4 prior service as certified by the retirement system, and including  
5 the accrued liabilities established by P.L.1964, c.241 and  
6 P.L.1967, c.250]. Using the total amount of this unfunded  
7 accrued liability, [he] the actuary shall compute [the] an  
8 increasing amount of [the flat] annual payment, which is  
9 estimated to remain a level percentage of prospective total  
10 compensation and which, if paid in each succeeding fiscal year  
11 commencing with July 1, [1972] <sup>3</sup>[1988] 1989<sup>3</sup>, for <sup>1</sup>[a period of  
12 40 years] the period determined by the State Treasurer<sup>1</sup>, will  
13 provide for this liability. This shall be known as the "accrued  
14 liability contribution."

15 The normal and accrued liability contributions as certified by  
16 the retirement system shall be included in the budget of the  
17 employer and levied and collected in the same manner as any  
18 other taxes are levied and collected for the payment of the  
19 salaries of members.

20 (10) The treasurer or corresponding officer of the employer  
21 shall pay on or before March 31 in each year to the State  
22 Treasurer the amount so certified as payable by the employer,  
23 and shall pay monthly to the State Treasurer the amount of the  
24 deductions from the salary of the members in the employ of the  
25 employer, and the State Treasurer shall credit such amount to the  
26 appropriate fund or funds, of the retirement system.

27 If payment of the full amount of the employer's obligation is  
28 not made within 30 days of the due date established by this act,  
29 interest at the rate of [6%] 10% per annum shall commence to  
30 run against the unpaid balance thereof on the first day after such  
31 thirtieth day.

32 If payment in full, representing the monthly transmittal and  
33 report of salary deductions, is not made within 15 days of the due  
34 date established by the retirement system, interest at the rate of  
35 [6%] 10% per annum shall commence to run against the total  
36 transmittal of salary deductions for the period on the first day  
37 after such fifteenth day.

38 (11) The expenses of administration of the retirement system  
shall be paid by the State of New Jersey. Each employer shall  
reimburse the State for a proportionate share of the amount paid



2 by the State for administrative expense. This proportion shall be  
 4 computed as the number of members under the jurisdiction of  
 6 such employer bears to the total number of members in the  
 8 system. The pro rata share of the cost of administrative expense  
 10 shall be included with the certification by the retirement system  
 12 of the employer's contribution to the system.

8 (12) Notwithstanding anything to the contrary, the retirement  
 10 system shall not be liable for the payment of any pension or other  
 12 benefits on account of the employees or beneficiaries of any  
 14 employer participating in the retirement system, for which  
 16 reserves have not been previously created from funds,  
 18 contributed by such employer or its employees for such benefits.

14 (13) [Notwithstanding any other provision of this act, the  
 16 Legislature shall annually appropriate and the State Treasurer  
 18 shall pay into the contingent reserve fund of the retirement  
 20 system an amount calculated as an increase in the normal  
 22 contribution which will provide for the additional liability  
 24 required to fund the benefits provided by this amendatory and  
 26 supplementary act. Any saving realized by the retirement system  
 28 as a result of any future increase in "regular interest" as  
 30 determined annually by the State Treasurer shall be applied by  
 32 the actuary towards meeting the cost of this additional liability.]  
 34 1[(Deleted by amendment, P.L. , c. )]

24 The Legislature shall annually appropriate and the State  
 26 Treasurer shall pay into the pension accumulation fund of the  
 28 retirement system an amount equal to 1.8% of the compensation  
 30 of the members of the system upon which the normal contribution  
 32 rate is based to fund the benefits provided by section 16 of  
 34 P.L.1964, c.241 <sup>3</sup>[,]<sup>3</sup> (C.43:16A-11.1), as amended by P.L.1979,  
 36 c.109.<sup>1</sup>

(cf: P.L.1979, c.109, s.1)

32 6. Section 21 of P.L.1971, c.175 (C.43:16A-15.4) is amended to  
 34 read as follows:

34 21. The accrued liability contribution of any employer  
 36 adopting the retirement system after July 1, [1971]<sup>3</sup>[1987] 1988<sup>3</sup>  
 38 for the purpose of providing prior service credit, shall be payable  
 by the employer to the pension accumulation fund over [a] the  
period [of not less than 25 years] selected by the employer,

initial valuation of such liability by the actuary of the retirement system.

(cf: P.L.1971, c.175, s.21)

7. (New section) Pension adjustment benefits for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey as provided by P.L.1969, c.169 (C.43:3B-1 et seq.) shall be paid by the retirement system and shall be funded as employer obligations in a similar manner to that provided for the funding of employer obligations for the retirement benefits provided by the retirement system. <sup>1</sup>[The value of anticipated future adjustments for active members as of and after July 1, 1987 shall be funded as a percentage of prospective total compensation on the assumption that the funding level for the cost of these adjustments will be phased in over a period not to exceed 40 years.]<sup>1</sup>

8. (New section) Notwithstanding the provisions of the "Pension Adjustment Act," P.L.1969, c.169 (<sup>3</sup>[C.43:B-1] C.43:3B-1<sup>3</sup> et seq.), pension adjustment benefits provided for under the act for members and beneficiaries of the Police and Firemen's Retirement System of New Jersey shall be paid by the retirement system and shall be funded as employer obligations in the manner prescribed for the funding of pension adjustment benefits by the retirement system by this <sup>3</sup>[1988]<sup>3</sup> amendatory and supplementary act, P.L. , c. (C. ).

19. (New section) <sup>3a</sup>.<sup>3</sup> The Director of the Division of Pensions shall review the positions of all members of the retirement system on the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory and supplementary act <sup>3</sup>, P.L. , c. (C. ),<sup>3</sup> and shall recommend to the board of trustees whether or not a position shall continue to be covered under the retirement system based upon the definitions of "policeman" and "fireman" in this act. The board shall determine which positions shall continue to be covered under the retirement system. A member whose position was covered prior to the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory and supplementary act shall continue to be eligible for membership in the retirement system while in the same position. Any person appointed after the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory and supplementary act to a position which is

<sup>3</sup>[not covered by] removed from coverage under<sup>3</sup> the retirement

system is not eligible for membership.

2     <sup>3</sup>b.<sup>3</sup> Upon the recommendation of the Director of the Division  
3 of Pensions, the board of trustees shall determine if a position of  
4 a law enforcement unit or firefighting unit or the State in  
5 existence on the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory and  
6 supplementary act but not covered by the retirement system or  
7 established after the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory  
8 and supplementary act is covered by the retirement system.

9     If the board determines that a position is covered by the  
10 retirement system, any person in the position is eligible to  
11 become a member of the retirement system. If the person is a  
12 member of another State-administered or county or municipal  
13 retirement system, the person may transfer membership in the  
14 other retirement system to the Police and Firemen's Retirement  
15 System in accordance with the provisions of P.L.1973, c.156  
16 (C.43:16A-62 et seq.). Any time period under P.L.1973, c.156  
17 calculated from the effective date of that act shall be calculated  
18 from the effective date of this <sup>3</sup>[1988]<sup>3</sup> amendatory and  
19 supplementary act for the purposes of this act.

20     A person employed in a position on or after the effective date  
21 of a determination by the board of trustees that the position is  
22 covered by the retirement system is required to enroll in the  
23 retirement system as a condition of employment, provided the  
24 person is otherwise eligible for membership by meeting the  
25 appointment, age and health requirements prescribed for all  
26 members. A person employed in a position covered by the  
27 retirement system and eligible for membership in the retirement  
28 system is ineligible for membership in any other  
29 State-administered or county or municipal retirement system.<sup>1</sup>

30     <sup>3</sup>c. Nothing in this amendatory and supplementary act shall be  
31 construed as authorizing:

32     (1) the transfer to or enrollment in the retirement system of  
33 any person who was ineligible for membership in or elected not to  
34 transfer to or enroll in the system prior to the effective date of  
35 this amendatory and supplementary act, unless the person is  
36 employed on or after the effective date in a new position which is  
37 not the same or related to the position in which the person was  
38 determined to be ineligible for membership in or elected not to  
transfer to or enroll in the system; or

(2) the participation in the retirement system of an employee of any county, municipality or political subdivision thereof which has not adopted P.L.1944, c.255 (C.43:16A-1 et seq.).<sup>3</sup>

<sup>2</sup>10. On or before the 90th day after enactment of this <sup>3</sup>[1988]<sup>3</sup> amendatory and supplementary act, P.L. \_\_\_\_\_, c. \_\_\_\_\_ (C. \_\_\_\_\_),<sup>3</sup> the Director of the Division of Pensions shall report in writing to the Governor, the Senate Revenue, Finance and Appropriations Committee, the Senate State Government, Federal and Interstate Relations and Veterans Affairs Committee, the Assembly Appropriations Committee, and the Assembly State Government Committee, or their successors, concerning the titles that will and will not continue to be covered by the retirement system and the number of people that will be affected and are projected to be affected thereby as a result of this act. The director shall provide reports to the Governor and the committees annually thereafter which shall include information concerning, but not limited to, the titles covered by the retirement system, any changes in title coverage, the number of members affected by any changes, and the actuarial status of the retirement system.<sup>2</sup>

<sup>1</sup>[9.] <sup>2</sup>[10.1] <sup>11.</sup><sup>2</sup> Section 3 <sup>1</sup>of P.L.1979, c.109 (C.43:16A-15.5) and section 3<sup>1</sup> of P.L.1982, c.198 (C.43:16A-11.1a) <sup>1</sup>[is] are<sup>1</sup> repealed.

<sup>1</sup>[10.] <sup>2</sup>[11.1] <sup>12.</sup><sup>2</sup> This act shall take effect immediately, except that the amendment to subsection (2) of section 15 of P.L.1944, c.255 (C.43:16A-15) in section 5 of this amendatory and supplementary act shall take effect on the first day of the calendar quarter following the date of enactment by at least two months.

## PENSIONS AND RETIREMENT

### Police Officers

Increases special retirement allowance in PFRS; restricts PFRS membership; assumes funding of pension adjustments; amends other provisions of PFRS statute.

1 act shall take effect on the first day of the calendar quarter  
following the date of enactment by at least two months.

3

5

STATEMENT

7 This bill increases the special retirement allowance after 25  
years of creditable service in the Police and Firemen's  
9 Retirement System from 60% of final compensation to 65%.

11 The bill also provides that future membership in PFRS shall be  
retricted to "permanent and full-time active uniformed"  
employees, and certain other employees, of a police or fire  
13 department who are employed after the effective date of this act  
and who have received Police Training Commission certification  
15 and, in the case of employees of a police department, have full  
police powers, have received firearms training, and have firearms  
17 carrying privileges.

Other provisions of the bill include:

- 19 (1) PFRS assumption of the funding of pension adjustments for  
retirants;  
21 (2) the establishment of a uniform rate of contribution for PFRS  
members of 8.5% of compensation; and  
23 (3) the re-amortization of the system's unfunded liability as of  
June 30, 1987 over a period of 40 years.

25

27

PENSIONS AND RETIREMENT

Police Officers

29

31 Increases special retirement allowance in PFRS; restricts PFRS  
membership; assumes funding of pension adjustments; amends  
other provisions of PFRS statute.

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ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

[SECOND REPRINT]

SENATE, No. 2602

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 1989

The Assembly State Government Committee reports favorably and with committee amendments Senate, No. 2602 (2R).

This bill increases the retirement benefits and refinances the costs of the Police and Firemen's Retirement System (PFRS). In addition, the definition of policeman and fireman is revised; the revised definition will govern eligibility for PFRS membership of any person who is hired by a participating employer after the bill takes effect as law.

Specifically, the bill increases the "special retirement" allowance for members with 25 or more years of creditable service from 60% to 65% of final compensation. The bill also refinances the costs of the system for a period not to exceed 40 years (the State Treasurer has selected 30 years) and recognizes the cost-of-living adjustment (COLA) as a liability of the system. A consequence of the latter provision is that the financing of the COLA will be placed on a reserve funding basis, rather than being funded on a pay-as-you-go basis as at present.

In addition, the definition of policeman and fireman is reformulated with respect to persons hired by participating employers after the legislation becomes effective. Under the new definition, in order to be eligible to be in PFRS, a police officer must be authorized to carry a firearm, have police powers, have successfully completed prescribed training requirements, and pass certain physical and mental fitness requirements. A firefighter must have primary duties which include the control and extinguishment of fires and be subject to certain training and physical and mental fitness requirements.

The Director of the Division of Pensions shall review the positions of all members of the retirement system on the effective date of this act, and shall

## COMMITTEE AMENDMENTS

The committee adopted amendments to the bill providing for: (1) the clarification of the division's administrative authority concerning reclassified positions; and (2) the updating of the references relating to the recalculation of the accrued liability in the retirement system.

SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

**SENATE, No. 2602**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: SEPTEMBER 19, 1988

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 2602 [1R] favorably, with committee amendments.

Senate Bill No. 2602 [1R], as amended, increases the retirement benefits and refinances the costs of the Police and Firemen's Retirement System (PFRS). In addition, the definition of policeman and fireman is revised and affects any person who enters the system after the effective date of the bill.

Specifically, the bill increases the special retirement allowance for members with 25 or more years of creditable service from 60% to 65% of final compensation. The bill also refinances the costs of the system for a period not to exceed 40 years (the State Treasurer has selected 30 years) and recognizes the cost of living adjustment (COLA) as a liability of the system.

In addition, the definition of policeman and fireman is restricted for people eligible to enter PFRS after the effective date of the bill. To be in PFRS, a police officer must be authorized to carry a firearm, have police powers, have successfully completed prescribed training requirements, and pass certain physical and mental fitness requirements. A firefighter must have primary duties which include the control and extinguishment of fires and be subject to certain training and physical and mental fitness requirements.

The Director of the Division of Pensions shall review the positions of all members of the retirement system on the effective date of this act and shall recommend to the board of trustees whether or not a position shall continue to be covered under the retirement system based upon the new definitions of policeman and



same position. Any person appointed after the effective date of this act to a position which is not covered by the retirement system is not eligible for membership.

Other provisions of the bill include:

(1) establishing a uniform contribution rate for PFRS members of 8.5% of compensation;

(2) requiring each employer to make contributions equal to the percentage of compensation of members in its employ as certified by the board of trustees based on annual actuarial valuations and establishing a "normal contribution";

(3) increasing from 6% to 10% the interest that must be paid on an unpaid balance if the employer does not meet its obligation within 30 days of the due date;

(4) providing that pension adjustment benefits for members and beneficiaries shall be paid by the retirement system and shall be funded as employer obligations;

(5) repealing provisions of the law concerning increases in employee contributions; and

(6) revising the provision concerning the State's payment of the increase in the normal contribution associated with "special retirement." The State's obligation would be set at 1.8% of the compensation of the members upon which the normal contribution rate is based.

Although not a provision of the bill, a component of the refinancing will be the State Treasurer setting the assumed interest rate of the system's assets at 7% instead of 6.75%.

#### COMMITTEE AMENDMENTS

The Committee amendments require the Director of the Division of Pensions to report within 90 days of enactment to the Governor and certain legislative committees concerning the titles that will and will not continue to be covered by the retirement system and the number of people affected thereby. Annually thereafter, the director shall report to the Governor and the committees concerning title coverage and the actuarial status of the system.

#### FISCAL IMPACT

result of the refinancing, a "savings" of \$19,095,613 would be realized by all employers in the first year after enactment. This savings takes into account any additional costs of people joining the Public Employees Retirement System as a result of no longer being eligible for PFRS. The annual savings range from a high of \$36,865,016 to a low of \$8,095,816 over the 30 year period of the refinancing. Thereafter, the savings increase as a result of the liabilities being completely amortized.

The annual savings in employer contributions to the PFRS occurs in the context of an overall added liability to the system as a result of extending the refinancing over a longer period of time than is currently scheduled. It is the committee's understanding that this added liability totals \$1,200,000,000 over the new refinancing period. As a result, the funded level of assets to liabilities will drop from 79% currently to approximately 55%. This percentage will increase gradually as the 30 year period progresses.

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

**SENATE, No. 2602**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 23, 1988

The Senate State Government Committee reports favorably and with committee amendments Senate, No. 2602.

This bill concerns membership in and retirement from the Police and Firemen's Retirement System.

The bill increases the special retirement allowance after 25 years of creditable service in PFRS from 60% to 65% of final compensation.

It also eliminates the current definition of policeman and fireman and the titles included under that definition and provides for new definitions based upon prescribed fundamental criteria. To be in PFRS, a law enforcement officer must be authorized to carry a firearm, have police powers, have successfully completed prescribed training requirements, and pass certain physical and mental fitness requirements; a firefighter must have primary duties which include the control and extinguishment of fires and be subject to certain training and physical and mental fitness requirements. The Director of the Division of Pensions shall review the positions of all members of the retirement system on the effective date of this act and shall recommend to the board of trustees whether or not a position shall continue to be covered under the retirement system based upon the new definitions of policeman and fireman. The board shall determine which positions shall continue to be covered under the retirement system. A member whose position was covered prior to the effective date of this act shall continue to be eligible for membership in the retirement system while in the same position. Any person appointed after the effective date of this act to a position which is not covered by the retirement system is not eligible for membership.

Other provisions of the bill include:

(3) providing for the re-amortization of the system's unfunded liability as of June 30, 1987 over a period not to exceed 40 years as determined by the State Treasurer;

(4) increasing from 6% to 10% the interest that must be paid on an unpaid balance if the employer does not meet its obligation within 30 days of the due date;

(5) providing that pension adjustment benefits for members and beneficiaries shall be paid by the retirement system and shall be funded as employer obligations;

(6) repealing provisions of the law concerning increases in employee contributions; and

(7) revising the provision concerning the State's payment of the increase in the normal contribution associated with "special retirement."

#### COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) revise the definition of policeman and fireman and to authorize the board of trustees to determine which positions shall continue to be covered under the retirement system;

(2) provide that the Legislature shall annually appropriate and the State Treasurer shall pay into the pension accumulation fund of the retirement system an amount equal to 1.8% of the compensation of the members of the system upon which the normal contribution rate is based to fund the benefits provided by P.L.1979, c.109;

(3) repeal section 3 of P.L.1979, c.109 (C.43:16A-15.5); and

(4) remove language concerning the funding of the value of anticipated future adjustments.

LEGISLATIVE FISCAL ESTIMATE TO

[THIRD REPRINT]

SENATE, No. 2602

STATE OF NEW JERSEY

DATED: August 17, 1989

Senate Bill No. 2602 (3R) of 1988 increases the special retirement benefits and refines the cost of the Police and Firemen's Retirement System (PFRS). In addition, the bill revises the definition of policeman and fireman and affects who can enter the system after the effective date.

Specifically, the bill increases the special retirement allowance for members with 25 or more years of creditable service from 60 percent to 65 percent of final compensation. The bill provides that future membership in PFRS is restricted to (1) "permanent, full-time" employees of a law enforcement unit or the State (other than the State Police) whose primary duties include the investigation, apprehension or detention of persons violating the State's criminal laws and who are authorized to carry a firearm, have police powers, and are subject to certain training and physical and mental fitness requirements; (2) "permanent, full-time" employees of a firefighting unit whose primary duties include the control and extinguishment of fires and who are subject to certain training and physical and mental fitness requirements; and (3) certain administrative and supervisory employees.

Other provisions of the bill include:

(1) providing that the cost-of-living adjustment (COLA) on retirement benefits for members and beneficiaries shall be paid by the retirement system and shall be funded as employer obligations;

(2) establishing a uniform contribution rate for PFRS members of 8.5 percent of compensation;

(3) re-amortizing the system's liability as of June 30, 1988 over a period of not more than 40 years;

(4) requiring the Director of the Division of Pensions to report within 90 days of enactment to the Governor and certain legislative committees concerning the titles that will and will not continue to be covered by the retirement system and the number of people affected; and

Although the Division of Pensions has not submitted a formal fiscal note for this bill, the division has provided information on the fiscal impact. The division estimates that the added liability to the system as a result of pre-funding the COLA totals approximately \$2.2 billion. The Office of Legislative Services (OLS) notes that, as of the June 30, 1988 valuation of PFRS, the current liabilities of the system total \$7.3 billion so the liabilities will increase by 30.1 percent as a result of pre-funding the COLA.

The division has also estimated the additional cost of increasing the special retirement benefits from 60 percent to 65 percent of final compensation at \$22 million the first year.

The division has estimated, using an assumed rate of interest of 7 percent and a recalculated and re-amortized unfunded liability, that the annual contribution required of employers to fund the system will be reduced by \$19,095,613 in the first year after enactment. The division also estimates that the annual contributions will be reduced by a high of \$36,865,016 and a low of \$8,095,816 over the 30-year period of refinancing (the period chosen by the State Treasurer).

The OLS concurs with the division estimates on the cost of enhancing the retirement benefit (\$22 million) and the liability of the COLA (\$2.2 billion). The OLS also concurs with the division's estimate that the employers' annual contribution to fund the system the first year after enactment will be reduced \$19 million. The OLS notes that the Treasurer's choice of a 30-year amortization period and a 7 percent interest rate assumption will result in a decrease in the employer cost to fund the system even though the liability of the system is increasing because the assumed rate of earnings for the system (assumed interest rate) will increase and the unfunded liability payments will be spread out over 30 years.

According to the most recent valuation of the system, the existing unfunded liability contribution was calculated in 1971 with a 40-year amortization period. Under this legislation the recalculated unfunded liability will increase, as a result of pre-funding the COLA and raising the special retirement benefits, and be re-amortized over a new 30-year period. The unfunded liability will be amortized over a period of seven years beyond the current amortization period. In addition, the assumed interest rate will increase from 6.75 percent

The valuation also shows that the uniform employee contribution rate of 8.5 percent of compensation established in the bill is 1.7 percent of compensation higher than the average rate of 8.36 percent. If the uniform rate had been in effect during FY 1988, the system would have received approximately \$1.5 million in additional employee contributions. The OLS notes that a change in actuarial experience in average entry age of PFRS members could result in a decrease in employee contributions under a uniform rate.

The bill sets the State obligation for special retirement (Chapter 109) at 1.8 percent of the compensation of the members. The OLS notes that the 1988 valuation of PFRS shows the State contribution for Chapter 109 at 1.93 percent of compensation.

The OLS also notes that information provided by the division for similar legislation indicates that a change in the definition for policemen and firemen will probably result in a decrease of about 20 percent in the number of new employees who enter PFRS, which would result in a decrease in the future liabilities of the system. These individuals would be enrolled in the Public Employees' Retirement System, increasing the liability of that system.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.



OFFICE OF THE GOVERNOR

## NEWS RELEASE

Governor Thomas H. Kean  
TRENTON, N.J. 08625  
Release: TUES., 12/19/89

CN-001

Contact: CARL GOLDEN  
609-292-8956 OR 609-292-6000 EXT. 207

Governor Thomas H. Kean today signed legislation to refinance the Police and Firemen's Retirement System (PFRS); to increase the pension benefits, and to tighten membership eligibility in the system.

Kean signed the bill, S-2602, at a meeting of the State Policeman's Benevolent Association at the Shore Casino in Atlantic Highlands.

The bill was sponsored by Senator John Russo, D-Ocean.

The major provision of the legislation provides that the system's accrued liabilities --- including the principal one of cost of living adjustments --- be prefunded by all employers in the system, rather than on an individual pay-as-you-go basis.

This prefunding mechanism will result in substantial savings to a great many municipalities, particularly in urban areas.

The Governor pointed out that Newark, for instance, will realize a savings of nearly \$5 million through the prefunding requirement.

Other municipalities cited by the Governor as realizing savings were Jersey City, a savings of \$2 million; Camden, a savings of \$1 million; Atlantic City, a savings of \$2 million; Elizabeth, a savings of \$1 million; Paterson, a savings of \$1.2 million; Trenton, a savings of \$1 million.

"For urban municipalities, this legislation and the savings it carries represents another form of urban aid," Kean said. "If we are truly interested in helping some of our most hard pressed municipalities, this pension bill and the lowered cost to the taxpayers in those communities is a major step in extending that assistance."



The bill also increases retirement benefits for those in the system to 65 percent of final compensation after 25 years of service. It provides, further, for a one percent per year increase for up to 30 years of service, thus capping the benefit at a maximum of 70 percent.

These represent increases of five percent over the current system.

The legislation also restricts eligibility for membership in the system to police and fire personnel. Over the nearly 70 years the system has been in effect, various other individuals have been permitted to join the system, even though their duties were not those of a police or fire officer.

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