

SENATE, No. 579

STATE OF NEW JERSEY
209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:
Senator RICHARD J. CODEY
District 27 (Essex)

SYNOPSIS

Provides for continuation of PFRS membership in certain cases.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



S579 CODEY

2

1 AN ACT concerning membership in the Police and Firemen's
2 Retirement System and amending P.L.1965, c.186.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 1 of P.L.1965, c.186 (C.43:16A-3.1) is amended to read
8 as follows:

9 1. Service with a **[municipal police or fire department]** law
10 enforcement unit or firefighting unit to which the provisions of
11 P.L.1944, c.255 (C.43:16A-1 et seq.) apply in an appointive
12 **[administrative or supervisory]** capacity with administrative or
13 supervisory duties over policemen or firemen or any combination
14 thereof by any person who not more than six months prior to such
15 service served as a member of that or any other **[such police or fire**
16 **department]** law enforcement unit or firefighting unit, as the term
17 "member" is defined in section 1 of P.L.1944, c.255 (C.43:16A-1),
18 shall be deemed to be service as a member under and for all the
19 purposes of the provisions of the act of which this act is a supplement.
20 (cf: P.L.1992, c.73, s.1)

21

22 2. This act shall take effect immediately and shall apply to any
23 person appointed on or after July 1, 1998.

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25

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STATEMENT

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28 Under current law, if a person is in an appointive administrative or
29 supervisory position, such as public safety director, the appointee can
30 only maintain membership in the Police and Firemen's System (PFRS)
31 if he is appointed to that position from the municipality's police or fire
32 department or is hired from the police or fire department of another
33 municipality. This bill permits a governmental entity to appoint a
34 person to a position with administrative or supervisory duties over
35 policemen or firemen from any law enforcement or firefighting unit,
36 not only a municipal police or fire department, and continues the
37 appointee's PFRS membership status.

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

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STATE OF NEW JERSEY
209th LEGISLATURE

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Sponsored by:
Senator RICHARD J. CODEY
District 27 (Essex)

SYNOPSIS

Provides for continuation of PFRS membership in certain cases.

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee with technical review.



S579 CODEY

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22 2. This act shall take effect immediately and shall apply to any
23 person appointed on or after July 1, 1998.

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Matter underlined thus is new matter.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 579

STATE OF NEW JERSEY

DATED: JUNE 8, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 579.

This bill broadens the scope of a rule providing for continuation or resumption of membership in the Police and Firemen's Retirement System (PFRS) of certain public safety administrators and supervisors.

Under current law (N.J.S.A.43:16A-3.1), if a person, immediately after or within six months of serving as a member of a municipal police or fire department covered by PFRS, is appointed to an administrative or supervisory position with that or any other PFRS-covered municipal police or fire department, then the person is required to remain (or reenroll as) a member of the system, even though the new position is covered by a different retirement system or the person is otherwise ineligible for PFRS membership. Under the bill, this requirement of continued membership is extended to cover a former member of *any* law enforcement unit who, within the six-month limitation period, is appointed to a position with administrative or supervisory duties over policemen or firemen. Thus the rule would apply regardless of the governmental entity (State, county or municipality) that makes the appointment or that employed the person prior to the appointment.

This bill was prefiled for introduction in the 2000-2001 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.

FISCAL IMPACT

There is not sufficient information on which to base a determination of the net fiscal impact of this bill, if any, for any individual public employer or for all public employers combined. It is expected, however, that the overall impact is likely to be minimal and will be felt primarily by local governments and not the State, because most public safety personnel are employed at the local level.

If an appointive administrative or supervisory public safety position to which the legislation would apply is currently classified as being covered by a retirement system other than the PFRS (i.e., the Public Employees' Retirement System (PERS)), then under the bill, the employer may be expected to incur an additional cost in pension contributions if it appoints a PFRS member or retiree to that position when the individual is continued or reenrolled in the PFRS. Employer

contributions to the PFRS are generally higher than employer contributions to the PERS, so that the measure of the increase would typically be the difference between the respective contribution amounts for the two systems. In the case of an appointee who was already receiving a PFRS retirement benefit at the time of appointment, the measure of the increase would be the full amount of the PFRS contribution, because the "pensioners in public employment" law bars a retiree from one public system who takes employment covered by another from being enrolled in the system covering the new position.

The required reenrollment of a PFRS retiree in the PFRS under this bill relieves the retirement system of a liability to pay the retiree's retirement allowance during the new employment; this reduced liability may result in a slightly lower employer contribution rate.

The fiscal impact of the retroactive application cannot be estimated because it is not known how many individuals would be impacted by this bill. Under the retroactive provision, a person who was appointed to an administrative or supervisory position covered by a retirement system such as the PERS, if a PFRS retiree, would have to repay the retirement allowance received and make the requisite PFRS employee contributions. If the person had been an active PFRS member, the person would have to pay the difference between the required PERS employee contributions made and the PFRS employee contributions required (PFRS contributions are 8% of salary; PERS contributions are currently 3% of salary), retroactively to the date of appointment. For such an individual, the public employer would have to either pay the full required employer contribution to the PFRS retroactively to the date of appointment, or the amount that represents the difference between the PERS employer contributions made and the PFRS employer contributions required.

There may be health insurance costs to an employer if a PFRS retiree is appointed to an administrative or supervisory position and must reenroll in PFRS under this bill, because any health benefits coverage received in retirement may be suspended during the period of reemployment. Also, any affected employer would realize Social Security contribution savings because such contributions are not made for PFRS members.

Finally, the Division of Pensions and Benefits may incur additional administrative costs to implement this bill; it is expected, however, that these costs would not be significant.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 579
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JUNE 23, 2000

SUMMARY

Synopsis: Provides for continuation of PFRS membership in certain cases.

Type of Impact: Potential State General Fund expenditure increase; Potential county and municipal government expenditure increase; Potential fire district expenditure increase.

Agencies Affected: Department of Treasury; County and Municipal Police and Fire Departments; Fire districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate- Minimal		
Local Cost	Indeterminate- Minimal		

- ! Under current law, a *municipal* police officer or firefighter in the Police and Firemen's Retirement System (PFRS) appointed to an administrative or supervisory position not covered by PFRS with the same or another PFRS-covered *municipal* police or fire department is required to remain (or re-enroll) in PFRS if the appointment begins within six months of leaving the prior position.
- ! This bill extends this requirement to include appointments within, or from and to, *any county or municipal* police department or *any State, county or municipal* fire department or *fire district* covered by the PFRS.
- ! The Office of Legislative Services (OLS) does not have sufficient information on which to estimate the net fiscal impact of this bill, if any, for any individual public employer or for all public employers combined.
- ! The OLS believes that the overall impact is likely to be minimal and will be felt primarily by local governments and not the State because most public safety personnel are employed at the local level.

BILL DESCRIPTION

Senate Bill No. 579 of 2000 broadens the scope of current law which provides for continuation or reactivation of membership in the PFRS for certain public safety administrators and supervisors.

Under current law (N.J.S.A.43:16A-3.1), a person who, after having served as a member of a municipal police or fire department covered by the PFRS, is appointed to an administrative or supervisory position not covered by PFRS with that or any other PFRS-covered municipal police or fire department is required to remain (or re-enroll as) a member of the system if service in the new position begins within six months of the earlier service. Under the bill, this requirement covers such an appointment within, or from and to, any county or municipal police department or any State, county or municipal fire department or fire district covered by the PFRS. Thus, under the bill, this law would apply regardless of the governmental entity that makes the appointment or that employed the person prior to the appointment. Under current law, if the administrative or supervisory position is covered by PFRS, such an appointee who is an active PFRS member continues PFRS coverage and a PFRS retiree ceases receipt of a PFRS retirement allowance and is re-enrolled in the system.

The bill, if enacted, will apply retroactively to any person described above who was appointed on or after January 1, 1998.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS does not have sufficient information on which to base a determination of the net fiscal impact of this bill, if any, for any individual public employer or for all public employers combined. The OLS believes, however, that the overall impact is likely to be minimal and will be felt primarily by local governments and not the State because most public safety personnel are employed at the local level.

If an appointive administrative or supervisory public safety position is now classified by the employer (State, county, municipality, or fire district) as covered by another retirement system such as the Public Employees' Retirement System (PERS), then the employer may incur an additional cost for appointing a PFRS member or retiree to that position when that individual will have to continue or re-enroll in the PFRS. Employer contributions to the PFRS are generally higher than employer contributions to the PERS, and in the case of an appointee who is a PFRS retiree, there otherwise would be no employer contributions required because under current law the retiree would not be enrolled in PERS and would continue to receive a PFRS retirement allowance.

The required re-enrollment of a PFRS retiree in the PFRS under this bill relieves the retirement system of a liability to pay the retiree's retirement allowance during the new employment; this reduced liability may result in a slightly lower employer contribution rate.

The fiscal impact of the retroactive application cannot be estimated because it is not known how many individuals would be impacted by this bill. Under the retroactive provision, a person who was appointed to administrative or supervisory positions covered by a retirement system

such as the PERS, if a PFRS retiree, would have to repay the retirement allowance received and make the requisite PFRS employee contributions. If the person had been an active PFRS member, the person would have to pay the difference between the required PERS employee contributions made and the PFRS employee contributions required (PFRS contributions are 8 percent of salary; PERS contributions are currently 3 percent of salary), retroactively to the date of appointment. For such an individual, the public employer would have to either pay the full required employer contribution to the PFRS retroactively to the date of appointment, or the amount that represents the difference between the PERS employer contributions made and the PFRS employer contributions required.

There may be health care benefits costs to employers if a PFRS retiree is appointed to an administrative or supervisory position and must re-enroll in PFRS under this bill because the health care benefits received in retirement may be suspended during the period of reemployment. Also, public employers would realize Social Security contribution savings because such contributions are not made for PFRS members.

This bill may result in the required additional expenditure of funds by counties and municipalities without providing the resources, other than the property tax, needed to pay for the expenditure; thus, the bill may constitute an unfunded State mandate unless enacted in accordance with the procedures set forth in the State Constitution.

Finally, the Division of Pensions and benefits may incur additional administrative costs to implement this bill; however, these costs may not be significant.

Section: *State Government*

Analyst: *Aggie Szilagyi*
Section Chief

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

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.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 579

STATE OF NEW JERSEY

DATED: OCTOBER 16, 2000

The Assembly State Government Committee reports favorably Senate Bill No. 579.

This bill broadens the scope of a rule providing for continuation or resumption of membership in the Police and Firemen's Retirement System (PFRS) of certain public safety administrators and supervisors.

Under current law, if a person, immediately after or within six months of service as a member of a municipal police or fire department covered by PFRS, is appointed to an administrative or supervisory position with that or any other PFRS-covered municipal police or fire department, the person is required to remain (or reenroll as) a member of PFRS, even though the new position is covered by a different retirement system. The bill extends this requirement of continued membership to cover a former member of any law enforcement unit who, within the sixth-month limitation period, is appointed to a position with administrative or supervisory duties over police officers or firefighters. Thus, under the bill, the requirement would apply regardless of the governmental entity (State, county or municipality) that makes the appointment or that employed the person prior to the appointment.

The bill, if enacted, will apply retroactively to any person appointed on or after July 1, 1998.

P.L. 2000, CHAPTER 166, *approved December 15, 2000*
Senate, No. 579

1 AN ACT concerning membership in the Police and Firemen's
2 Retirement System and amending P.L.1965, c.186.

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5 *of New Jersey:*

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7 1. Section 1 of P.L.1965, c.186 (C.43:16A-3.1) is amended to read
8 as follows:

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10 enforcement unit or firefighting unit to which the provisions of
11 P.L.1944, c.255 (C.43:16A-1 et seq.) apply in an appointive
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13 supervisory duties over policemen or firemen or any combination
14 thereof by any person who not more than six months prior to such
15 service served as a member of that or any other **[such police or fire**
16 **department]** law enforcement unit or firefighting unit, as the term
17 "member" is defined in section 1 of P.L.1944, c.255 (C.43:16A-1),
18 shall be deemed to be service as a member under and for all the
19 purposes of the provisions of the act of which this act is a supplement.
20 (cf: P.L.1992, c.73, s.1)

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22 2. This act shall take effect immediately and shall apply to any
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Matter underlined thus is new matter.

CHAPTER 166

AN ACT concerning membership in the Police and Firemen's Retirement System and amending P.L.1965, c.186.

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

1. Section 1 of P.L.1965, c.186 (C.43:16A-3.1) is amended to read as follows:

C.43:16A-3.1 Service defined.

1. Service with a law enforcement unit or firefighting unit to which the provisions of P.L.1944, c.255 (C.43:16A-1 et seq.) apply in an appointive capacity with administrative or supervisory duties over policemen or firemen or any combination thereof by any person who not more than six months prior to such service served as a member of that or any other law enforcement unit or firefighting unit, as the term "member" is defined in section 1 of P.L.1944, c.255 (C.43:16A-1), shall be deemed to be service as a member under and for all the purposes of the provisions of the act of which this act is a supplement.

2. This act shall take effect immediately and shall apply to any person appointed on or after July 1, 1998.

Approved December 15, 2000.