



**ACS for A1503/3162**

<b>SPONSORS STATEMENT:</b>		No
<b>COMMITTEE STATEMENT:</b>	<b>ASSEMBLY:</b>	Yes
	<b>SENATE:</b>	No
<b>FLOOR AMENDMENT STATEMENTS:</b>		No
<b>LEGISLATIVE FISCAL NOTE:</b>		Yes
<b>ASSEMBLY COMMITTEE SUBSTITUTE:</b>		Yes

**A1503**

<b>SPONSORS STATEMENT:</b> (Begins on page 3 of original bill)		Yes
<b>COMMITTEE STATEMENT:</b>	<b>ASSEMBLY:</b>	Yes
	<b>SENATE:</b>	No
<b>FLOOR AMENDMENT STATEMENTS:</b>		No
<b>LEGISLATIVE FISCAL NOTE:</b>		Yes
<b>FINAL VERSION (1<sup>ST</sup> reprint)</b>		Yes
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# SENATE, No. 1833

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED OCTOBER 23, 2000

**Sponsored by:**

**Senator PETER A. INVERSO**  
**District 14 (Mercer and Middlesex)**  
**Senator ANTHONY R. BUCCO**  
**District 25 (Morris)**

**Co-Sponsored by:**

**Senators Kosco, Allen and Littell**

**SYNOPSIS**

Provides full PFRS credit for transferred PERS service of certain PFRS members at State cost.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 12/15/2000)

1 AN ACT concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs and supplementing P.L.1993, c.247 (C.43:16A-3.8  
4 et seq.).

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

8  
9 1. a. Notwithstanding the provisions of P.L.1993, c.247 (C.43:16A-  
10 3.8 et seq.) to the contrary, a member of the Police and Firemen's  
11 Retirement System of New Jersey (PFRS), established pursuant to  
12 P.L.1944, c.255 (C.43:16A-1 et seq.), who was eligible to become a  
13 member of the PFRS and transferred membership from the Public  
14 Employees' Retirement System of New Jersey (PERS), established  
15 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), to the PFRS  
16 pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) shall receive  
17 full credit toward benefits under PFRS for the transferred PERS  
18 service if the member has not received such full credit prior to the  
19 effective date of this act, P.L. , c. (C. ) (now pending before the  
20 Legislature as this bill), because the member has not agreed to pay the  
21 full cost of the accrued liability for the transferred PERS credit as  
22 provided in section 3 of P.L.1993, c.247 (C.43:16A-3.10).

23 b. The State shall be liable for, and pay directly to the PFRS, the  
24 full cost of the accrued liability for the full credit toward benefits  
25 under PFRS for the members specified in subsection a. of this section  
26 less the total amount equal to the present value of the benefit under  
27 PERS accrued to the date of transfer to PFRS by those members,  
28 which amount was transmitted to PFRS pursuant to subsection b. of  
29 section 1 of P.L.1993, c.247 (C.43:16A-3.8).

30

31 2. This act shall take effect immediately.

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STATEMENT

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36 This bill provides that a member of the Police and Firemen's  
37 Retirement System (PFRS) who, as a municipal, county or State  
38 employee, was eligible to become a member of PFRS and transferred  
39 membership from the Public Employees' Retirement System of New  
40 Jersey (PERS) to the PFRS pursuant to P.L.1993, c.247 (C.43:16A-  
41 3.8 et seq.) will receive full credit toward benefits under PFRS for the  
42 transferred PERS service if the member has not received such full  
43 credit prior to the effective date of the bill because the member has not  
44 agreed to pay the full cost of the accrued liability for the transferred

1 PERS credit as provided in section 3 of P.L.1993, c.247 (C.43:16A-  
2 3.10).

3 Under the bill, the State shall be liable for, and pay directly to the  
4 PFRS, the full cost of the accrued liability for the full credit toward  
5 benefits under PFRS for the members as provided in the bill less the  
6 total amount equal to the present value of the benefit accrued in PERS  
7 by those members, which amount was transmitted to PFRS at the time  
8 of the membership transfers.

9 P.L.1993, c.247 requires, after its effective date of July 1, 1993, all  
10 municipal police officers and firefighters who are employed by a  
11 municipality which was not required to participate in PFRS under  
12 P.L.1944, c.255 (C.43:16A-1 et seq.) and has not adopted that act,  
13 and all firefighters employed by a fire district in which the provisions  
14 of that act are not operative, to enroll in PFRS as a condition of  
15 employment. In addition, P.L.1993, c.247 provided for the optional  
16 transfer from PERS to PFRS of all municipal police officers,  
17 firefighters and other described law enforcement officers who were not  
18 yet in PFRS.

19 Because the employee and employer contribution rates of PFRS are  
20 higher than those of PERS, PFRS members who transferred from  
21 PERS to PFRS in 1993 will receive pro-rated PFRS/PERS benefits  
22 upon retirement, unless the member pays to PFRS the full cost of the  
23 accrued liability for the purchased PERS service credit in a manner  
24 which requires payment of both the employee's and employer's share  
25 of the cost, or, if applicable, the voters of the municipality or fire  
26 district in which a police officer or firefighter is employed approve a  
27 local referendum to adopt PFRS and assume the employer's share of  
28 any accrued liability for such transfers.

**SENATE, No. 189**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

**Sponsored by:**

**Senator DIANE ALLEN**

**District 7 (Burlington and Camden)**

**SYNOPSIS**

Recalculates payment for purchase of service credit by certain PERS members who transferred to PFRS; provides for payment by either municipality or State for remainder of full cost of accrued liability resulting from transfer and purchase.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning the purchase of service credit by certain members  
2 of the Police and Firemen's Retirement System of New Jersey and  
3 the payment of certain costs.

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

7  
8 1. a. Notwithstanding the provisions of sections 1 and 3 of  
9 P.L.1993, c.247 (C.43:16A-3.8 and 43:16A-3.10), a policeman or  
10 fireman who is eligible pursuant to paragraph (1) or paragraph (8) of  
11 subsection a. of section 1 of P.L.1993, c.247 to become a member of  
12 the Police and Firemen's Retirement System of New Jersey (PFRS),  
13 who transferred membership from the Public Employees' Retirement  
14 System of New Jersey (PERS) to the PFRS, and who is employed in  
15 a municipality which has not adopted the provisions of P.L.1944,  
16 c.255 (C.43:16A-1 et seq.) as provided in section 10 of P.L.1945,  
17 c.148 (C.43:16A-26) may receive full credit toward benefits under  
18 PFRS for the transferred PERS service credit if, within 90 days  
19 following the effective date of this act, P.L. , c. (now pending  
20 before the Legislature as this bill), the policeman or fireman makes a  
21 lump sum payment into the PFRS annuity savings fund of the amount  
22 of the difference between the contributions which the policeman or  
23 fireman paid as a member of the PERS and the contributions that the  
24 policeman or fireman would have been required to pay if the policeman  
25 or fireman had been a member of the PFRS.

26 b. The difference between the full cost of the accrued liability in  
27 the PFRS for the transferred PERS service credit for which a member  
28 has made a payment pursuant to subsection a. of this section and the  
29 sum of the payment made by each such member added to the amount  
30 transmitted by the PERS to the PFRS pursuant to subsection b. of  
31 section 1 of P.L.1993, c.247 (C.43:16A-3.8) which represented the  
32 present value of the benefit under the PERS accrued to the date of  
33 transfer of each person transferring to the PFRS shall be paid by the  
34 municipality which employs the policeman or fireman, if the question  
35 of the payment is submitted to the voters of the municipality by the  
36 general election held in 2001 in accordance with the procedures set  
37 forth in sections 10, 11 and 12 of P.L.1945, c.148 (C.43:16A-26,  
38 43:16A-27 and 43:16A-28) and the question is approved by the voters.

39 c. If the question of the payment is not submitted to the voters  
40 pursuant to subsection b. of this section by the general election held  
41 in 2001 or if submitted, is not approved by the voters, the State  
42 Treasurer shall pay to the PFRS the amount of the difference described  
43 in subsection b. of this section from funds appropriated by the  
44 Legislature for this purpose.

1       2. This act shall take effect immediately.

2

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STATEMENT

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6       P.L.1993, c.247, which became effective July 1, 1993, provided for  
7 the transfer into the Police and Firemen's Retirement System (PFRS)  
8 of all municipal police officers, firefighters and other described law  
9 enforcement officers who were not yet in the system. At that time,  
10 there were municipal police officers and firefighters who were not  
11 eligible for PFRS membership because a referendum had not been  
12 adopted by the voters making the retirement system applicable in the  
13 municipalities in which they were employed. P.L.1993, c.247 also  
14 requires all municipal police officers and firefighters hired after the  
15 effective date who meet PFRS membership requirements to enroll as  
16 a condition of employment. Those PERS members who transferred to  
17 PFRS pursuant to this law will receive pro-rated PFRS/PERS benefits  
18 upon retirement.

19       P.L.1993, c.247 also provided a mechanism for a police officer or  
20 firefighter who transferred to obtain full credit toward PFRS benefits  
21 for prior PERS service if a local referendum is approved by the voters  
22 to adopt the PFRS for the municipality in which a police officer or  
23 firefighter is employed. If the PFRS is not adopted by the employing  
24 municipality, a police officer or firefighter may pay to the PFRS the  
25 full cost of the accrued liability for the purchased PERS service credit  
26 in a manner which requires payment of both the employee's and  
27 employer's share of the cost. This second option has proven to be very  
28 expensive for some police officers and firefighters.

29       Therefore, under this bill, a police officer or firefighter who  
30 transferred membership from the PERS to the PFRS and is employed  
31 in a municipality which has not adopted the PFRS may receive full  
32 credit toward benefits under PFRS for the transferred PERS service  
33 credit if, within 90 days following the enactment of this bill, the police  
34 officer or firefighter makes a lump sum payment to the PFRS of the  
35 amount of the difference between the contribution which was paid by  
36 the police officer or firefighter as a member of the PERS and the  
37 contribution that would have been required if the member had been a  
38 member of the PFRS.

39       The difference between the full cost of the accrued liability in the  
40 PFRS for the transferred PERS service credit for which a member has  
41 made a payment and the sum of the payment made by each such  
42 member added to the amount already transmitted by the PERS to the  
43 PFRS under current law (which represented the present value of the  
44 benefit under the PERS accrued to the date of transfer of each person  
45 transferring to the PFRS) will be paid by the municipality which  
46 employs the police officer or firefighter, if the question of the payment



**S189 ALLEN**

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1 is submitted to the voters of the municipality by the 2001 general  
2 election and if the question is approved.

3 If the question of the payment is not submitted to the voters by the  
4 general election held in 2001 or if submitted, is not approved by the  
5 voters, the State Treasurer will pay to the PFRS the difference from  
6 funds appropriated by the Legislature for this purpose.

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, Nos. 1833 and 189**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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ADOPTED DECEMBER 14, 2000

**Sponsored by:**

**Senator PETER A. INVERSO**

**District 14 (Mercer and Middlesex)**

**Senator ANTHONY R. BUCCO**

**District 25 (Morris)**

**Senator DIANE ALLEN**

**District 7 (Burlington and Camden)**

**Co-Sponsored by:**

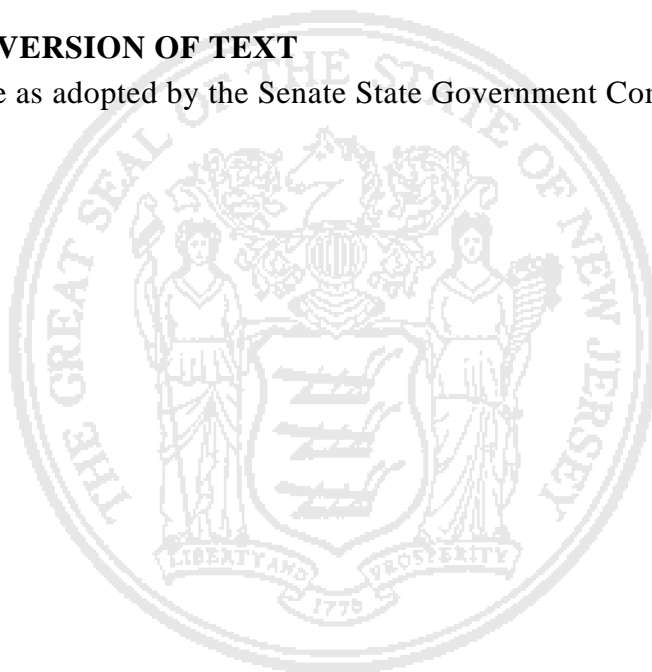
**Senators Kosco, Littell, Girgenti, Ciesla, Matheussen, Zane, Singer,  
Vitale, Robertson, Palaia, Gormley, Furnari and Bennett**

**SYNOPSIS**

Provides full PFRS credit for transferred PERS service of certain PFRS members at State cost.

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Senate State Government Committee.



**(Sponsorship Updated As Of: 3/16/2001)**

1 AN ACT concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs and supplementing P.L.1993, c.247 (C.43:16A-3.8  
4 et seq.).

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

8  
9 1. a. Notwithstanding the provisions of P.L.1993, c.247  
10 (C.43:16A-3.8 et seq.) to the contrary, a member of the Police and  
11 Firemen's Retirement System of New Jersey (PFRS), established  
12 pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who was eligible to  
13 become a member of the PFRS and transferred membership from the  
14 Public Employees' Retirement System of New Jersey (PERS),  
15 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), to the  
16 PFRS pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) shall  
17 receive full credit toward benefits under PFRS for the transferred  
18 PERS service if the member has not received such full credit prior to  
19 the effective date of this act, P.L. , c. (C. ) (now pending before  
20 the Legislature as this bill), because the member has not agreed to pay  
21 the full cost of the accrued liability for the transferred PERS credit as  
22 provided in section 3 of P.L.1993, c.247 (C.43:16A-3.10).

23 b. The State shall be liable for, and pay directly to the PFRS, the  
24 full cost of the accrued liability for the full credit toward benefits  
25 under PFRS for the members specified in subsection a. of this section  
26 less the total amount equal to the present value of the benefit under  
27 PERS accrued to the date of transfer to PFRS by those members,  
28 which amount was transmitted to PFRS pursuant to subsection b. of  
29 section 1 of P.L.1993, c.247 (C.43:16A-3.8).

30  
31 2. This act shall take effect immediately.

# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 1833 and 189**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 14, 2000

The Senate State Government Committee reports favorably a Senate Committee Substitute for Senate Bill Nos. 1833 and 189.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the Police and Firemen's Retirement System (PFRS) of all municipal police officers, firefighters and other specified law enforcement officers who were not in PFRS. Because the employee and employer contribution rates of PFRS are higher than those of PERS, PFRS members who transferred from PERS to PFRS in 1993 will receive pro-rated PFRS/PERS benefits upon retirement, unless the member pays to PFRS the full cost of the accrued liability for the purchased PERS service credit in a manner which requires payment of both the employee's and employer's share of the cost, or, if applicable, the voters of the municipality or fire district in which a police officer or firefighter is employed approve a local referendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

This bill provides that a member of PFRS who, as a municipal, county or State employee, was eligible to become a member of PFRS and transferred membership from PERS to PFRS pursuant to P.L.1993, c.247 will receive full credit toward benefits under PFRS for the transferred PERS service if the member has not received such full credit prior to the enactment of this bill because the member has not agreed to pay the full cost of the accrued liability for the transferred PERS credit.

Under the bill, the State will be liable for, and pay directly to PFRS, the full cost of the accrued liability for the full credit toward benefits under PFRS for the members specified in the bill less the total amount equal to the present value of the benefit accrued in PERS by those members, which amount was transmitted to PFRS at the time of the membership transfers.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 1833 and 189**

with committee amendments

# STATE OF NEW JERSEY

DATED: MARCH 15, 2001

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill Nos. 1833 and 189 SCS.

This bill allows police and firefighters who transferred to the Police and Firemen's Retirement System (PFRS) under a 1993 law to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the PFRS of all municipal police officers and firefighters, plus certain other law enforcement officers, who were not already in PFRS. Because the employee and employer contribution rates of PFRS are higher than those of PERS (reflecting the PFRS's higher benefits), the legislation provided that a transferring member would receive pro-rated PFRS/PERS benefits upon retirement, unless (1) the member paid to PFRS the full cost (i.e., both the employee's and employer's share) of the accrued liability for the purchased credit, or (2) the voters of the municipality or fire district in which the transferred officer was employed approved a local referendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

This bill provides that a PERS member who transferred to PFRS under the 1993 law will automatically receive credit toward full benefits under PFRS for the transferred PERS service. In addition, the bill provides that a transferred member who paid the cost for the establishment of full PFRS credit will be reimbursed for that payment.

#### COMMITTEE AMENDMENTS:

Committee amendments to this bill extend the recognition of full credit for PFRS benefits beyond active PFRS members to cover retired members of the system. The amendments also incorporate the provision for PFRS reimbursement to any members or retirees for their payments toward the cost of the accrued liability for the transferred

PERS credit.

In addition, the committee amendments provide that the accrued liability for the full credit toward benefits under PFRS for these members will not be a State liability. Instead, PFRS will recognize, for the valuation period ending June 30, 1999, an additional amount of the market value of its assets sufficient to fund the unfunded accrued liability for the full credit toward benefits under PFRS for PERS service transferred and the reimbursement of the cost of any credit purchase.

FISCAL IMPACT:

Based on information received from the Division of Pensions and Benefits in the Department of the Treasury, the Office of Legislative Services believes that the present value of the increased PFRS liability for enhanced benefits under the bill will amount to some \$178 million, while the cost of reimbursing transferred members who purchased full PFRS credit for the transferred service will amount to roughly \$10 million. Thus the total increase in PFRS accrued liability created under the legislation is expected to be roughly \$188 million. As noted above, the liability will be met through application of the retirement system's "excess assets", rather than through an increase in the PFRS employer contribution rate; the commitment of those assets to this purpose will make them unavailable for the relief of employer contributions in the future.

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, Nos. 1833 and 189**

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

ADOPTED DECEMBER 14, 2000

**Sponsored by:**

**Senator PETER A. INVERSO**

**District 14 (Mercer and Middlesex)**

**Senator ANTHONY R. BUCCO**

**District 25 (Morris)**

**Senator DIANE ALLEN**

**District 7 (Burlington and Camden)**

**Co-Sponsored by:**

**Senators Kosco, Littell, Girgenti, Ciesla, Matheussen, Zane, Singer, Vitale, Robertson, Palaia, Gormley, Furnari, Bennett, Kenny, Bark, Kavanaugh, Bryant, Sinagra, Cafiero, Assemblywoman Heck, Assemblymen Bateman, Geist, Senator O'Toole, Assemblymen Felice, Blee, Gregg, Assemblywoman Weinberg, Assemblyman Pennacchio, Assemblywomen Crecco, Farragher, Assemblymen Gibson, Kelly, Merkt, Guear, B.Smith, Assemblywoman Greenstein, Assemblymen Wolfe, Barnes, Assemblywoman Buono, Assemblymen LeFevre, Garrett, Assemblywomen Myers, Pou, Assemblymen Corodemus and Greenwald**

**SYNOPSIS**

Provides full PFRS credit for transferred PERS service of certain PFRS members.

**CURRENT VERSION OF TEXT**

As reported by the Senate Budget and Appropriations Committee on March 15, 2001, with amendments.

(Sponsorship Updated As Of: 6/22/2001)

1 AN ACT concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs<sup>1</sup>, amending P.L.1944, c.255<sup>1</sup> and supplementing  
4 P.L.1993, c.247 (C.43:16A-3.8 et seq.).  
5

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

9 1. a. Notwithstanding the provisions of P.L.1993, c.247  
10 (C.43:16A-3.8 et seq.) to the contrary, a member <sup>1</sup>or retiree<sup>1</sup> of the  
11 Police and Firemen's Retirement System of New Jersey (PFRS),  
12 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who  
13 was eligible to become a member of the PFRS and transferred  
14 membership from the Public Employees' Retirement System of New  
15 Jersey (PERS), established pursuant to P.L.1954, c.84 (C.43:15A-1 et  
16 seq.), to the PFRS pursuant to section 1 of P.L.1993, c.247  
17 (C.43:16A-3.8) shall receive full credit toward benefits under PFRS  
18 for the transferred PERS service <sup>1</sup>[if the member has not received  
19 such full credit prior to the effective date of this act, P.L. , c.  
20 (C. ) (now pending before the Legislature as this bill), because the  
21 member has not agreed to pay the full cost of the accrued liability for  
22 the transferred PERS credit as provided in section 3 of P.L.1993,  
23 c.247 (C.43:16A-3.10)]<sup>1</sup>.

24 b. The <sup>1</sup>[State shall be liable for, and pay directly to the PFRS, the  
25 full cost of the accrued liability for the full credit toward benefits  
26 under PFRS for the members specified in subsection a. of this section  
27 less the total amount equal to the present value of the benefit under  
28 PERS accrued to the date of transfer to PFRS by those members,  
29 which amount was transmitted to PFRS pursuant to subsection b. of  
30 section 1 of P.L.1993, c.247 (C.43:16A-3.8)] PFRS shall reimburse  
31 to any member or retiree who agreed to pay the full cost of the  
32 accrued liability for the transferred PERS credit as provided in section  
33 3 of P.L.1993, c.247 (C.43:16A-3.10) the cost of that credit  
34 purchase<sup>1</sup>.  
35

36 <sup>1</sup>2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to  
37 read as follows:

38 15. (1) The contributions required for the support of the  
39 retirement system shall be made by members and their employers.

40 (2) The uniform percentage contribution rate for members shall be  
41 8.5% of compensation.

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SBA committee amendments adopted March 15, 2001.



1 (3) (Deleted by amendment, P.L.1989, c.204).

2 (4) Upon the basis of the tables recommended by the actuary  
3 which the board adopts and regular interest, the actuary shall compute  
4 annually, beginning as of June 30, 1991, the amount of contribution  
5 which shall be the normal cost as computed under the projected unit  
6 credit method attributable to service rendered under the retirement  
7 system for the year beginning on July 1 immediately succeeding the  
8 date of the computation. This shall be known as the "normal  
9 contribution."

10 (5) (Deleted by amendment, P.L.1989, c.204).

11 (6) (Deleted by amendment, P.L.1994, c.62.)

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

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

31 (9) With respect to employers other than the State, upon the basis  
32 of the tables recommended by the actuary which the board adopts and  
33 regular interest, the actuary shall compute the amount of the accrued  
34 liability as of June 30, 1991 under the projected unit credit method,  
35 which is not already covered by the assets of the retirement system,  
36 valued in accordance with the asset valuation method established in  
37 this section. Using the total amount of this unfunded accrued liability,  
38 the actuary shall compute the initial amount of contribution which, if  
39 the contribution is increased at a specific rate and paid annually for a  
40 specific period of time, will amortize this liability. The State Treasurer  
41 shall determine, upon the advice of the Director of the Division of  
42 Pensions and Benefits, the board of trustees and the actuary, the rate  
43 of increase for the contribution and the time period for full funding of  
44 this liability, which shall not exceed 40 years on initial application of  
45 this section as amended by this act, P.L.1994, c.62. This shall be  
46 known as the "accrued liability contribution." Any increase or

1 decrease in the unfunded accrued liability as a result of actuarial losses  
2 or gains for the 10 valuation years following valuation year 1991 shall  
3 serve to increase or decrease, respectively, the unfunded accrued  
4 liability contribution. Thereafter, any increase or decrease in the  
5 unfunded accrued liability as a result of actuarial losses or gains for  
6 subsequent valuation years shall serve to increase or decrease,  
7 respectively, the amortization period for the unfunded accrued liability,  
8 unless an increase in the amortization period will cause it to exceed 30  
9 years. If an increase in the amortization period as a result of actuarial  
10 losses for a valuation year would exceed 30 years, the accrued liability  
11 contribution shall be computed for the valuation year in the same  
12 manner provided for the computation of the initial accrued liability  
13 contribution under this section.

14 With respect to the State, upon the basis of the tables  
15 recommended by the actuary which the board adopts and regular  
16 interest, the actuary shall annually determine if there is an amount of  
17 the accrued liability, computed under the projected unit credit method,  
18 which is not already covered by the assets of the retirement system,  
19 valued in accordance with the asset valuation method established in  
20 this section. This shall be known as the "unfunded accrued liability."  
21 If there was no unfunded accrued liability for the valuation period  
22 immediately preceding the current valuation period, the actuary, using  
23 the total amount of this unfunded accrued liability, shall compute the  
24 initial amount of contribution which, if the contribution is increased at  
25 a specific rate and paid annually for a specific period of time, will  
26 amortize this liability. The State Treasurer shall determine, upon the  
27 advice of the Director of the Division of Pensions and Benefits, the  
28 board of trustees and the actuary, the rate of increase for the  
29 contribution and the time period for full funding of this liability, which  
30 shall not exceed 30 years. This shall be known as the "accrued liability  
31 contribution." Thereafter, any increase or decrease in the unfunded  
32 accrued liability as a result of actuarial losses or gains for subsequent  
33 valuation years shall serve to increase or decrease, respectively, the  
34 amortization period for the unfunded accrued liability, unless an  
35 increase in the amortization period will cause it to exceed 30 years.  
36 If an increase in the amortization period as a result of actuarial losses  
37 for a valuation year would exceed 30 years, the accrued liability  
38 contribution shall be computed for the valuation year in the same  
39 manner provided for the computation of the initial accrued liability  
40 contribution under this section. The State may pay all or any portion  
41 of its unfunded accrued liability under the retirement system from any  
42 source of funds legally available for the purpose, including, without  
43 limitation, the proceeds of bonds authorized by law for this purpose.  
44 The value of the assets to be used in the computation of the  
45 contributions provided for under this section for valuation periods  
46 shall be the value of the assets for the preceding valuation period

1 increased by the regular interest rate, plus the net cash flow for the  
2 valuation period (the difference between the benefits and expenses  
3 paid by the system and the contributions to the system) increased by  
4 one half of the regular interest rate, plus 20% of the difference  
5 between this expected value and the full market value of the assets as  
6 of the end of the valuation period. This shall be known as the  
7 "valuation assets." Notwithstanding the first sentence of this  
8 paragraph, the valuation assets for the valuation period ending  
9 June 30, 1995 shall be the full market value of the assets as of that  
10 date and, with respect to the valuation assets allocated to the State,  
11 shall include the proceeds from the bonds issued pursuant to the  
12 "Pension Bond Financing Act of 1997," P.L.1997, c.114  
13 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey  
14 Economic Development Authority to fund the unfunded accrued  
15 liability of the system. Notwithstanding the first sentence of this  
16 paragraph, the percentage of the difference between the expected  
17 value and the full market value of the assets to be added to the  
18 expected value of the assets for the valuation period ending June 30,  
19 1998 for the State shall be 100% and for other employers shall be  
20 57%. Notwithstanding the first sentence of this paragraph, the amount  
21 of the difference between the expected value and the full market value  
22 of the assets to be added to the expected value of the assets for the  
23 valuation period ending June 30, 1999 shall include an additional  
24 amount of the market value of the assets sufficient to fund (1) the  
25 unfunded accrued liability for the supplementary "special retirement"  
26 allowances provided under subsection b. of section 16 of P.L.1964,  
27 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the  
28 full credit toward benefits under the retirement system for service  
29 credited in the Public Employees' Retirement System and transferred  
30 pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the  
31 reimbursement of the cost of any credit purchase pursuant to section  
32 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of  
33 P.L. , c. (C. ) (now pending before the Legislature as this bill.

34 "Excess valuation assets" means, with respect to the valuation  
35 assets allocated to the State, the valuation assets allocated to the State  
36 for a valuation period less the actuarial accrued liability of the State  
37 for the valuation period, and beginning with the valuation period  
38 ending June 30, 1998, less the present value of the expected additional  
39 normal cost contributions attributable to the provisions of P.L.1999,  
40 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members  
41 employed by the State as of the valuation period over the expected  
42 working lives of the active members in accordance with the tables of  
43 actuarial assumptions applicable to the valuation period, if the sum is  
44 greater than zero. "Excess valuation assets" means, with respect to  
45 the valuation assets allocated to other employers, the valuation assets  
46 allocated to the other employers for a valuation period less the

1 actuarial accrued liability of the other employers for the valuation  
2 period, excluding the unfunded accrued liability for early retirement  
3 incentive benefits pursuant to P.L.1993, c.99 for the other employers,  
4 and beginning with the valuation period ending June 30, 1998, less the  
5 present value of the expected additional normal cost contributions  
6 attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et  
7 al.) payable on behalf of the active members employed by other  
8 employers as of the valuation period over the expected working lives  
9 of the active members in accordance with the tables of actuarial  
10 assumptions applicable to the valuation period, if the sum is greater  
11 than zero.

12 If there are excess valuation assets allocated to the State or to the  
13 other employers for the valuation period ending June 30, 1995, the  
14 normal contributions payable by the State or by the other employers  
15 for the valuation periods ending June 30, 1995, and June 30, 1996  
16 which have not yet been paid to the retirement system shall be reduced  
17 to the extent possible by the excess valuation assets allocated to the  
18 State or to the other employers, respectively, provided that with  
19 respect to the excess valuation assets allocated to the State, the  
20 General Fund balances that would have been paid to the retirement  
21 system except for this provision shall first be allocated as State aid to  
22 public schools to the extent that additional sums are required to  
23 comply with the May 14, 1997 decision of the New Jersey Supreme  
24 Court in Abbott v. Burke.

25 If there are excess valuation assets allocated to the other employers  
26 for the valuation period ending June 30, 1998, the accrued liability  
27 contributions payable by the other employers for the valuation period  
28 ending June 30, 1997 shall be reduced to the extent possible by the  
29 excess valuation assets allocated to the other employers.

30 If there are excess valuation assets allocated to the State or to the  
31 other employers for a valuation period ending after June 30, 1998, the  
32 State Treasurer may reduce the normal contribution payable by the  
33 State or by other employers for the next valuation period as follows:

34 (1) for valuation periods ending June 30, 1996 through June 30,  
35 2000, to the extent possible by up to 100% of the excess valuation  
36 assets allocated to the State or to the other employers, respectively;

37 (2) for the valuation period ending June 30, 2001, to the extent  
38 possible by up to 84% of the excess valuation assets allocated to the  
39 State or to the other employers, respectively;

40 (3) for the valuation period ending June 30, 2002, to the extent  
41 possible by up to 68% of the excess valuation assets allocated to the  
42 State or to the other employers, respectively; and

43 (4) for valuation periods ending on or after June 30, 2003, to the  
44 extent possible by up to 50% of the excess valuation assets allocated  
45 to the State or to the other employers, respectively.

46 The normal and accrued liability contributions shall be certified  
47 annually by the retirement system and shall be included in the budget

1 of the employer and levied and collected in the same manner as any  
2 other taxes are levied and collected for the payment of the salaries of  
3 members.

4 (10) The treasurer or corresponding officer of the employer shall  
5 pay to the State Treasurer no later than April 1 of the State's fiscal  
6 year in which payment is due the amount so certified as payable by the  
7 employer, and shall pay monthly to the State Treasurer the amount of  
8 the deductions from the salary of the members in the employ of the  
9 employer, and the State Treasurer shall credit such amount to the  
10 appropriate fund or funds, of the retirement system.

11 If payment of the full amount of the employer's obligation is not  
12 made within 30 days of the due date established by this act, interest at  
13 the rate of 10% per annum shall commence to run against the unpaid  
14 balance thereof on the first day after such 30th day.

15 If payment in full, representing the monthly transmittal and report  
16 of salary deductions, is not made within 15 days of the due date  
17 established by the retirement system, interest at the rate of 10% per  
18 annum shall commence to run against the total transmittal of salary  
19 deductions for the period on the first day after such 15th day.

20 (11) The expenses of administration of the retirement system shall  
21 be paid by the State of New Jersey. Each employer shall reimburse the  
22 State for a proportionate share of the amount paid by the State for  
23 administrative expense. This proportion shall be computed as the  
24 number of members under the jurisdiction of such employer bears to  
25 the total number of members in the system. The pro rata share of the  
26 cost of administrative expense shall be included with the certification  
27 by the retirement system of the employer's contribution to the system.

28 (12) Notwithstanding anything to the contrary, the retirement  
29 system shall not be liable for the payment of any pension or other  
30 benefits on account of the employees or beneficiaries of any employer  
31 participating in the retirement system, for which reserves have not  
32 been previously created from funds, contributed by such employer or  
33 its employees for such benefits.

34 (13) (Deleted by amendment, P.L.1992, c.125.)

35 (14) Commencing with valuation year 1991, with payment to be  
36 made in Fiscal Year 1994, the Legislature shall annually appropriate  
37 and the State Treasurer shall pay into the pension accumulation fund  
38 of the retirement system an amount equal to 1.1% of the compensation  
39 of the members of the system for the valuation year to fund the  
40 benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1),  
41 as amended by P.L.1979, c.109.

42 (15) If the valuation assets are insufficient to fund the normal and  
43 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8  
44 et al.) as provided hereinabove, the normal and unfunded accrued  
45 liability contributions required to fund these costs for the State and  
46 other employers shall be paid by the State.<sup>1</sup>

47 (cf: P.L.2001, c.4, s.3)

1       <sup>1</sup>[~~2.~~]<sup>1</sup> This act shall take effect ~~immediately~~ 90 days  
2 following enactment<sup>1</sup>.

**FISCAL NOTE**  
 [First Reprint]  
 SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, Nos. 1833 and 189**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: APRIL 17, 2001

**SUMMARY**

**Synopsis:** Provides full PFRS credit for transferred PERS service of certain PFRS members at State cost.

**Type of Impact:** Depletion of excess PFRS assets allocated to the State and local employers

**Agencies Affected:** Department of Treasury, Division of Pensions and Benefits

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	\$188 million State and local cost, payable from system assets		
<b>Local Cost</b>	(See Comments Below)		

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! According to the Division of Pensions and Benefits in the Department of the Treasury, the accrued liability for the Police and Firemen's Retirement System (PFRS) enhanced benefits, and the cost for reimbursements, provided for by the bill will be approximately \$188 million.
- ! Bill allows PFRS members and retirees who transferred to PFRS under a 1993 law to receive full benefits under PFRS for PERS service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.
- ! Bill requires recognition of an additional amount of the market value of PFRS assets, for the valuation period ending June 30, 1999, sufficient to fund the accrued liability for the full credit toward benefits under PFRS for PERS service transferred and the reimbursement of the cost of any credit purchase.

**BILL DESCRIPTION**

Senate Bill Nos. 1833 and 189 SCS (1R) of 2000 allows police officers and firefighters who

transferred to the Police and Firemen's Retirement System (PFRS) under a 1993 law to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the PFRS of all municipal police officers and firefighters, plus certain other law enforcement officers, who were not already in PFRS. Because the employee and employer contribution rates of PFRS are higher than those of PERS (reflecting the PFRS's higher benefits), the legislation provided that a transferring member would receive pro-rated PFRS/PERS benefits upon retirement, unless (1) the member paid to PFRS the full cost (i.e., both the employee's and employer's share) of the accrued liability for the purchased credit, or (2) the voters of the municipality or fire district in which the transferred officer was employed approved a local referendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

This bill provides that a PERS member or retiree who transferred to PFRS under the 1993 law will automatically receive credit toward full benefits under PFRS for the transferred PERS service. In addition, the bill provides that a transferred member or retiree who paid the cost for the establishment of full PFRS credit will be reimbursed for that payment.

The bill requires the PFRS to recognize, for the valuation period ending June 30, 1999, an additional amount of the market value of its assets sufficient to fund the accrued liability for the full credit toward benefits under PFRS for PERS service transferred and the reimbursement of the cost of any credit purchase.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

According to the Division of Pensions and Benefits in the Department of the Treasury, the accrued liability for the enhanced PFRS benefits, and the cost for reimbursements, provided for by this bill will total approximately \$188 million.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) **concurs** with the Executive Branch estimate.

The OLS notes that the use of additional market value of the PFRS assets for the purposes of the bill will make them unavailable to reduce State and local employer contributions in the future.

Section: *State Government*

Analyst: *Aggie Szilagyi*  
*Section Chief*

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

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



# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 1833 and 189**

# **STATE OF NEW JERSEY**

DATED: JUNE 4, 2001

The Assembly Appropriations Committee reports favorably Senate Bill Nos. 1833 and 189 (1R/SCS).

Senate Bill Nos. 1833 and 189 (1R/SCS) allows police and firefighters who transferred to the Police and Firemen's Retirement System (PFRS) under a 1993 law to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the PFRS of all municipal police officers and firefighters, plus certain other law enforcement officers, who were not already in PFRS. Because the employee and employer contribution rates of PFRS are higher than those of PERS (reflecting the PFRS's higher benefits), the legislation provided that a transferring member would receive pro-rated PFRS/PERS benefits upon retirement, unless (1) the member paid to PFRS the full cost (i.e., both the employee's and employer's share) of the accrued liability for the purchased credit, or (2) the voters of the municipality or fire district in which the transferred officer was employed approved a local referendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

This bill provides that a PERS member who transferred to PFRS under the 1993 law will automatically receive credit toward full benefits under PFRS for the transferred PERS service. In addition, the bill provides that a transferred member who paid the cost for the establishment of full PFRS credit will be reimbursed for that payment.

As reported by the committee, this bill is identical to the Assembly Committee Substitute for Assembly Bill Nos. 1503 and 3162 as also reported by the committee.

#### FISCAL IMPACT:

Based on the fiscal note, the Division of Pensions and Benefits in the Department of the Treasury estimates that the present value of the increased PFRS liability for enhanced benefits under the bill will

amount to some \$178 million, while the cost of reimbursing transferred members who purchased full PFRS credit for the transferred service will amount to roughly \$10 million. Thus the total increase in PFRS accrued liability created under the legislation is expected to be roughly \$188 million. As noted, the liability will be met through application of the retirement system's "excess assets", rather than through an increase in the PFRS employer contribution rate; the commitment of those assets to this purpose will make them unavailable for the relief of employer contributions in the future.

# ASSEMBLY, No. 1503

## STATE OF NEW JERSEY 209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

**Sponsored by:**

**Assemblywoman ROSE MARIE HECK**

**District 38 (Bergen)**

**Assemblyman KEVIN J. O'TOOLE**

**District 21 (Essex and Union)**

**Co-Sponsored by:**

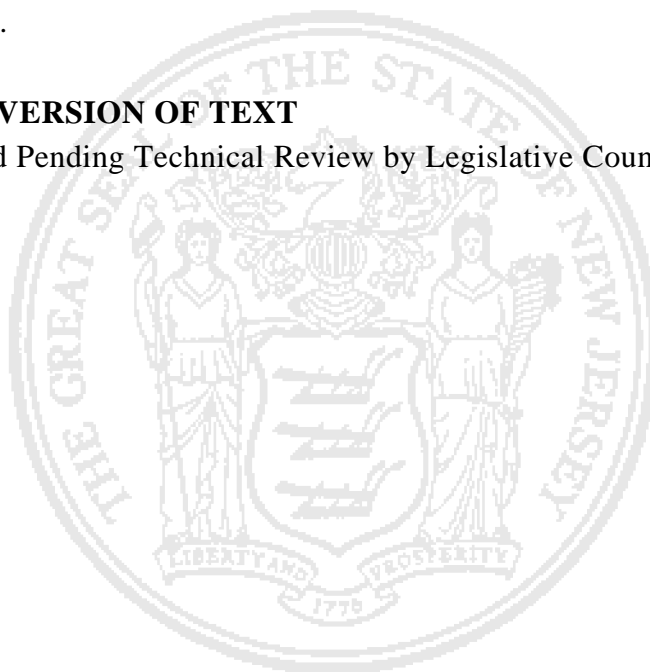
**Assemblymen Felice and Geist**

**SYNOPSIS**

Recalculates payment for purchase of service credit by certain PERS members who transferred to PFRS; provides for payment by either municipality or State for remainder of full cost of accrued liability resulting from transfer and purchase.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 9/22/2000)**

1 AN ACT concerning the purchase of service credit by certain members  
2 of the Police and Firemen's Retirement System of New Jersey and  
3 the payment of certain costs.

4

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

7

8 1. a. Notwithstanding the provisions of sections 1 and 3 of  
9 P.L.1993, c.247 (C.43:16A-3.8 and 43:16A-3.10), a policeman or  
10 fireman who is eligible pursuant to paragraph (1) or paragraph (8) of  
11 subsection a. of section 1 of P.L.1993, c.247 to become a member of  
12 the Police and Firemen's Retirement System of New Jersey (PFRS),  
13 who transferred membership from the Public Employees' Retirement  
14 System of New Jersey (PERS) to the PFRS, and who is employed in  
15 a municipality which has not adopted the provisions of P.L.1944,  
16 c.255 (C.43:16A-1 et seq.) as provided in section 10 of P.L.1945,  
17 c.148 (C.43:16A-26) may receive full credit toward benefits under  
18 PFRS for the transferred PERS service credit if, within 90 days  
19 following the effective date of this act, P.L. , c. (now pending  
20 before the Legislature as this bill), the policeman or fireman makes a  
21 lump sum payment into the PFRS annuity savings fund of the amount  
22 of the difference between the contributions which the policeman or  
23 fireman paid as a member of the PERS and the contributions that the  
24 policeman or fireman would have been required to pay if the policeman  
25 or fireman had been a member of the PFRS.

26 b. The difference between the full cost of the accrued liability in  
27 the PFRS for the transferred PERS service credit for which a member  
28 has made a payment pursuant to subsection a. of this section and the  
29 sum of the payment made by each such member added to the amount  
30 transmitted by the PERS to the PFRS pursuant to subsection b. of  
31 section 1 of P.L.1993, c.247 (C.43:16A-3.8) which represented the  
32 present value of the benefit under the PERS accrued to the date of  
33 transfer of each person transferring to the PFRS shall be paid by the  
34 municipality which employs the policeman or fireman, if the question  
35 of the payment is submitted to the voters of the municipality by the  
36 general election held in 2001 in accordance with the procedures set  
37 forth in sections 10, 11 and 12 of P.L.1945, c.148 (C.43:16A-26,  
38 43:16A-27 and 43:16A-28) and the question is approved by the voters.

39 c. If the question of the payment is not submitted to the voters  
40 pursuant to subsection b. of this section by the general election held  
41 in 2001 or if submitted, is not approved by the voters, the State  
42 Treasurer shall pay to the PFRS the amount of the difference described  
43 in subsection b. of this section from funds appropriated by the  
44 Legislature for this purpose.

45

46 2. This act shall take effect immediately.

STATEMENT

1

2

3 P.L.1993, c.247, which became effective July 1, 1993, provided for  
4 the transfer into the Police and Firemen's Retirement System (PFRS)  
5 of all municipal police officers, firefighters and other described law  
6 enforcement officers who were not yet in the system. At that time,  
7 there were municipal police officers and firefighters who were not  
8 eligible for PFRS membership because a referendum had not been  
9 adopted by the voters making the retirement system applicable in the  
10 municipalities in which they were employed. P.L.1993, c.247 also  
11 requires all municipal police officers and firefighters hired after the  
12 effective date who meet PFRS membership requirements to enroll as  
13 a condition of employment. Those PERS members who transferred to  
14 PFRS pursuant to this law will receive pro-rated PFRS/PERS benefits  
15 upon retirement.

16 P.L.1993, c.247 also provided a mechanism for a police officer or  
17 firefighter who transferred to obtain full credit toward PFRS benefits  
18 for prior PERS service if a local referendum is approved by the voters  
19 to adopt the PFRS for the municipality in which a police officer or  
20 firefighter is employed. If the PFRS is not adopted by the employing  
21 municipality, a police officer or firefighter may pay to the PFRS the  
22 full cost of the accrued liability for the purchased PERS service credit  
23 in a manner which requires payment of both the employee's and  
24 employer's share of the cost. This second option has proven to be very  
25 expensive for some police officers and firefighters.

26 Under this bill, a police officer or firefighter who transferred  
27 membership from the PERS to the PFRS and is employed in a  
28 municipality which has not adopted the PFRS may receive full credit  
29 toward benefits under PFRS for the transferred PERS service credit if,  
30 within 90 days following the enactment of this bill, the police officer  
31 or firefighter makes a lump sum payment to the PFRS of the amount  
32 of the difference between the contribution which was paid by the  
33 police officer or firefighter as a member of the PERS and the  
34 contribution that would have been required if the member had been a  
35 member of the PFRS.

36 The difference between the full cost of the accrued liability in the  
37 PFRS for the transferred PERS service credit for which a member has  
38 made a payment and the sum of the payment made by each such  
39 member added to the amount already transmitted by the PERS to the  
40 PFRS under current law (which represented the present value of the  
41 benefit under the PERS accrued to the date of transfer of each person  
42 transferring to the PFRS) will be paid by the municipality which  
43 employs the police officer or firefighter, if the question of the payment  
44 is submitted to the voters of the municipality by the 2001 general  
45 election and if the question is approved.

46 If the question of the payment is not submitted to the voters by the

**A1503 HECK, O'TOOLE**

4

1 general election held in 2001 or if submitted, is not approved by the  
2 voters, the State Treasurer will pay to the PFRS the difference from  
3 funds appropriated by the Legislature for this purpose.

# ASSEMBLY STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 1503**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: SEPTEMBER 25, 2000

The Assembly State Government Committee reports favorably and with committee amendments Assembly Bill No. 1503.

As amended, this bill provides that a police officer or firefighter employed in a municipality which has not adopted the Police and Firemen's Retirement System (PFRS), or a county law enforcement officer, who transferred membership from the Public Employees' Retirement System (PERS) to the PFRS under P.L.1993, c.247 may receive full credit toward benefits under PFRS for the transferred PERS service credit if, within 90 days following the enactment of the bill, the police officer, firefighter or county law enforcement officer makes a lump sum payment to the PFRS of the amount of the difference between the contribution which was paid by the police officer, firefighter or county law enforcement officer as a member of the PERS and the contribution that would have been required if the person had been a member of the PFRS.

The difference between the full cost of the accrued liability in the PFRS for the transferred PERS service credit for which a member has made a payment, under this bill, and the sum of the payment made by each such member added to the amount already transmitted by the PERS to the PFRS under current law (which represented the present value of the benefit under the PERS accrued to the date of transfer of each person transferring to the PFRS) will be paid by the State Treasurer from funds appropriated by the Legislature for this purpose.

P.L.1993, c.247, which became effective July 1, 1993, requires all municipal police officers and firefighters hired after the effective date who meet PFRS membership requirements to enroll as a condition of employment. P.L.1993, c.247 also provided for the optional transfer into PFRS of all municipal police officers, firefighters and other described law enforcement officers who were not yet in the system. At that time, some municipal police officers and firefighters were not eligible for PFRS membership because a referendum had not been adopted by the voters making the retirement system applicable in the municipalities in which they were employed, and county law enforcement officers were enrolled in PERS.

Those PFRS members who transferred from PERS to PFRS pursuant to P.L.1993, c.247 will receive pro-rated PFRS/PERS benefits upon retirement unless (1) a local referendum is approved by the voters to adopt the PFRS for the municipality in which a police officer or firefighter is employed or (2) the member pays to the PFRS the full cost of the accrued liability for the purchased PERS service credit in a manner which requires payment of both the employee's and employer's share of the cost.

The committee amended the bill to add county law enforcement officers to the group of PFRS members who may receive full PFRS credit for that service for which they have transferred PERS credit, upon payment of the difference between the applicable PFRS and PERS employee contributions. The committee also amended the bill to delete the option that a municipality may place the question of adoption of the PFRS before its voters by the general election of 2001 and thereby, instead of the State, assume any remaining cost of the accrued liability to PFRS.

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.



[First Reprint]

**ASSEMBLY, No. 1503**

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

**Sponsored by:**

**Assemblywoman ROSE MARIE HECK**

**District 38 (Bergen)**

**Assemblyman KEVIN J. O'TOOLE**

**District 21 (Essex and Union)**

**Co-Sponsored by:**

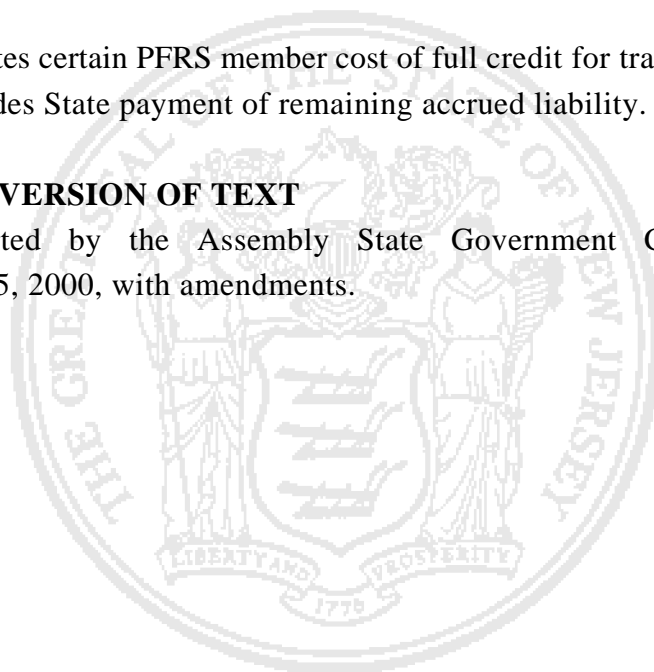
**Assemblymen Felice, Geist, Blee, Gregg, Assemblywoman Weinberg,  
Assemblyman Pennacchio, Assemblywomen Crecco, Farragher,  
Assemblymen Gibson, Kelly and Merkt**

**SYNOPSIS**

Recalculates certain PFRS member cost of full credit for transferred PERS credit; provides State payment of remaining accrued liability.

**CURRENT VERSION OF TEXT**

As reported by the Assembly State Government Committee on September 25, 2000, with amendments.



**(Sponsorship Updated As Of: 6/5/2001)**

1 AN ACT concerning the purchase of service credit by certain members  
2 of the Police and Firemen's Retirement System of New Jersey and  
3 the payment of certain costs.

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

7  
8 1. a. Notwithstanding the provisions of sections 1 and 3 of  
9 P.L.1993, c.247 (C.43:16A-3.8 and 43:16A-3.10), a policeman or  
10 fireman who is eligible pursuant to <sup>1</sup>[paragraph (1) or paragraph]  
11 paragraphs (1), (2), (3), (5) and<sup>1</sup> (8) of subsection a. of section 1 of  
12 P.L.1993, c.247 to become a member of the Police and Firemen's  
13 Retirement System of New Jersey (PFRS), who transferred  
14 membership from the Public Employees' Retirement System of New  
15 Jersey (PERS) to the PFRS, and who is <sup>1</sup>not<sup>1</sup> employed in a  
16 municipality which has <sup>1</sup>[not]<sup>1</sup> adopted the provisions of P.L.1944,  
17 c.255 (C.43:16A-1 et seq.) as provided in section 10 of P.L.1945,  
18 c.148 (C.43:16A-26)<sup>1</sup>,<sup>1</sup> may receive full credit toward benefits under  
19 PFRS for the transferred PERS service credit if, within 90 days  
20 following the effective date of this act, P.L. , c. (now pending  
21 before the Legislature as this bill), the policeman or fireman makes a  
22 lump sum payment into the PFRS annuity savings fund of the amount  
23 of the difference between the contributions which the policeman or  
24 fireman paid as a member of the PERS and the contributions that the  
25 policeman or fireman would have been required to pay if the policeman  
26 or fireman had been a member of the PFRS.

27 b. The difference between the full cost of the accrued liability in  
28 the PFRS for the transferred PERS service credit for which a member  
29 has made a payment pursuant to subsection a. of this section and the  
30 sum of the payment made by each such member added to the amount  
31 transmitted by the PERS to the PFRS pursuant to subsection b. of  
32 section 1 of P.L.1993, c.247 (C.43:16A-3.8)<sup>1</sup>,<sup>1</sup> which represented the  
33 present value of the benefit under the PERS accrued to the date of  
34 transfer of each person transferring to the PFRS<sup>1</sup>,<sup>1</sup> shall be paid by  
35 <sup>1</sup>[the municipality which employs the policeman or fireman, if the  
36 question of the payment is submitted to the voters of the municipality  
37 by the general election held in 2001 in accordance with the procedures  
38 set forth in sections 10, 11 and 12 of P.L.1945, c.148 (C.43:16A-26,  
39 43:16A-27 and 43:16A-28) and the question is approved by the voters.

40 c. If the question of the payment is not submitted to the voters  
41 pursuant to subsection b. of this section by the general election held

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Assembly ASG committee amendments adopted September 25, 2000.

**A1503 [1R] HECK, O'TOOLE**

3

1 in 2001 or if submitted, is not approved by the voters,]<sup>1</sup> the State  
2 Treasurer <sup>1</sup>[shall pay to the PFRS the amount of the difference  
3 described in subsection b. of this section]<sup>1</sup> from funds appropriated by  
4 the Legislature for this purpose.

5

6 2. This act shall take effect immediately.

**FISCAL NOTE**  
[First Reprint]  
**ASSEMBLY, No. 1503**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: DECEMBER 12, 2000

**SUMMARY**

**Synopsis:** Recalculates certain PFRS member cost of full credit for transferred PERS credit; provides State payment of remaining accrued liability.

**Type of Impact:** Expenditure, State General Fund

**Agencies Affected:** Division of Pensions and Benefits, Department of the Treasury

**Executive Estimate**

<b>Fiscal Impact</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>State Liability</b>	\$68.6 million	\$0	\$0
<b>Administrative</b>	\$100,000	\$0	\$0
<b>State Cost</b>			

- ! The Office of Legislative Services (OLS) **concurs** with the Executive Estimate of \$68.6 million as the cost of converting prior PERS service to fully credited PFRS service for the relevant police officers and firefighters and \$100,000 as the cost to the State for data processing. The OLS does **not concur** with the Executive Estimate's assumption of the use of excess valuation assets to offset the cost of the remainder of the accrued liability because, according to the bill, the State is liable for and the Treasurer will pay such cost from funds appropriated by the Legislature for that purpose.
- ! The bill recalculates PFRS member cost of full PFRS service credit for PERS service credit transferred pursuant to P.L.1993, c.247 (which in part gave PERS-covered municipal police officers and firefighters and county law enforcement officers the option to enroll in PFRS and transfer their respective PERS service credit to PFRS) so that the member pays only the difference between the PFRS contribution rate and the already-paid PERS contributions.

**BILL DESCRIPTION**

Assembly Bill No. 1503(1R) of 2000 provides that a police officer or firefighter employed in a municipality which has not adopted the Police and Firemen's Retirement System (PFRS), or a county law enforcement officer, who transferred membership from the Public Employees'

Retirement System (PERS) to the PFRS under P.L.1993, c.247 may receive full credit toward benefits under PFRS for the transferred PERS service credit if, within 90 days following the enactment of the bill, the police officer, firefighter or county law enforcement officer makes a lump sum payment to the PFRS of the amount of the difference between the contribution which was paid by the police officer, firefighter or county law enforcement officer as a member of the PERS and the contribution that would have been required if the person had been a member of the PFRS.

The bill states that the difference between the full cost of the accrued liability in the PFRS for the transferred PERS service credit for which a member has made a payment, under this bill, and the sum of the payments made by each such member added to the amount already transmitted by the PERS to the PFRS (which represented the present value of the benefit under the PERS accrued to the date of transfer of each person transferring to the PFRS) will be paid by the State Treasurer from funds appropriated by the Legislature for this purpose.

Under current law, the PFRS members who transferred from PERS to PFRS in 1993, will receive pro-rated PFRS/PERS benefits upon retirement unless the member pays to the PFRS the full cost of the accrued liability for the purchased PERS service credit in a manner which requires payment of both the difference in the employee's actual contributions and the PFRS contribution rate and the employer's share of the cost.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

According to the Department of the Treasury, the cost of converting prior PERS service to PFRS service for the approximately 1,260 public safety officers who transferred membership in PERS to membership in PFRS pursuant to P.L.1993, c.247 but have not paid to do so is estimated to be \$68.6 million and can be offset with a portion of the unused excess valuation assets. Therefore, according to the department, there is no short-term additional cost. The department also states that the use of excess valuation assets to fund this cost represents a real depletion of the current \$464 million (\$123.5 million for the State; \$340.5 million for local employers) in unused excess valuation assets reported by the PFRS actuary as of July 1, 1999. This depletion means less available excess assets that may be used to offset regular normal contributions in future periods.

Additional operating expenditures are estimated to be \$100,000 for data processing for the first year only.

### *OFFICE OF LEGISLATIVE SERVICES*

The Office of Legislative Services (OLS) **concurs** with the Executive Branch estimate of \$68.6 million as the cost of converting prior PERS service to fully credited PFRS service for the police officers and firefighters eligible for the recalculation of the amount of a PFRS member's payment to gain full PFRS service credit of any transferred PERS service credit. The OLS also agrees with the Executive Branch estimate of data processing costs of \$100,000.

The OLS does **not concur** with the Executive Branch's assumption that unused excess valuation assets will be used to offset the additional accrued liability created by the bill. The bill provides that, after payment by the PFRS members of the appropriate recalculated member cost

of full PFRS credit, the State Treasurer will pay the total remaining accrued liability from funds appropriated by the Legislature for that purpose.

Section: *State Government*

Analyst: *Pamela H. Espenshade*  
*Senior Counsel*

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

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

# ASSEMBLY, No. 3162

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED JANUARY 23, 2001

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman GEORGE F. GEIST**

**District 4 (Camden and Gloucester)**

**Co-Sponsored by:**

**Assemblymen Guear, B.Smith, Assemblywoman Greenstein,**

**Assemblymen Wolfe, Barnes, Assemblywoman Buono, Assemblymen Blee,**

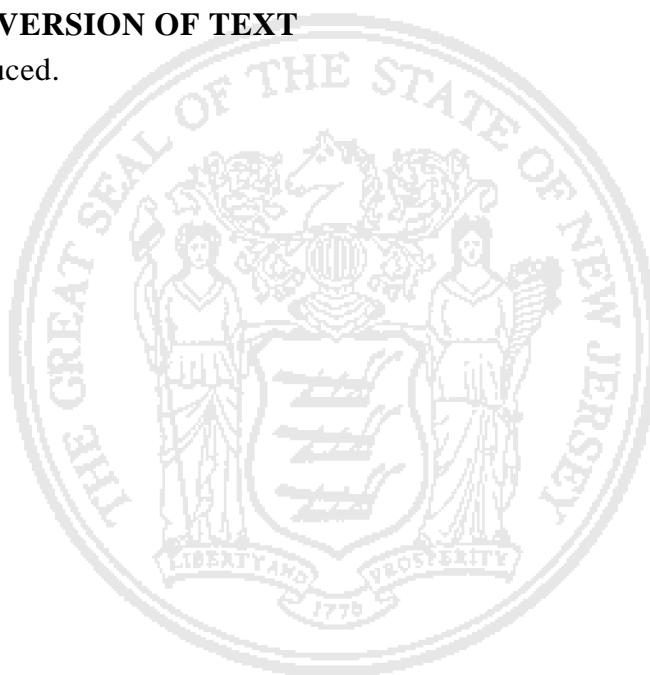
**LeFevre, Garrett, Assemblywomen Myers, Weinberg and Pou**

**SYNOPSIS**

Provides full PFRS credit for transferred PERS service of certain PFRS members at State cost.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 5/4/2001)

A3162 BATEMAN, GEIST

2

1 AN ACT concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs and supplementing P.L.1993, c.247 (C.43:16A-3.8  
4 et seq.).

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

8  
9 1. a. Notwithstanding the provisions of P.L.1993, c.247  
10 (C.43:16A-3.8 et seq.) to the contrary, a member of the Police and  
11 Firemen's Retirement System of New Jersey (PFRS), established  
12 pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who was eligible to  
13 become a member of the PFRS and transferred membership from the  
14 Public Employees' Retirement System of New Jersey (PERS),  
15 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), to the  
16 PFRS pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) shall  
17 receive full credit toward benefits under PFRS for the transferred  
18 PERS service if the member has not received such full credit prior to  
19 the effective date of this act, P.L. , c. (C. ) (now pending before  
20 the Legislature as this bill), because the member has not agreed to pay  
21 the full cost of the accrued liability for the transferred PERS credit as  
22 provided in section 3 of P.L.1993, c.247 (C.43:16A-3.10).

23 b. The State shall be liable for, and pay directly to the PFRS, the  
24 full cost of the accrued liability for the full credit toward benefits  
25 under PFRS for the members specified in subsection a. of this section  
26 less the total amount equal to the present value of the benefit under  
27 PERS accrued to the date of transfer to PFRS by those members,  
28 which amount was transmitted to PFRS pursuant to subsection b. of  
29 section 1 of P.L.1993, c.247 (C.43:16A-3.8).

30

31 2. This act shall take effect immediately.

32

33

34

STATEMENT

35

36 P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional  
37 transfer from the Public Employees' Retirement System (PERS) to the  
38 Police and Firemen's Retirement System (PFRS) of all municipal police  
39 officers, firefighters and other specified law enforcement officers who  
40 were not in PFRS. Because the employee and employer contribution  
41 rates of PFRS are higher than those of PERS, PFRS members who  
42 transferred from PERS to PFRS in 1993 will receive pro-rated  
43 PFRS/PERS benefits upon retirement, unless the member pays to  
44 PFRS the full cost of the accrued liability for the purchased PERS  
45 service credit in a manner which requires payment of both the  
46 employee's and employer's share of the cost, or, if applicable, the



**A3162 BATEMAN, GEIST**

3

1 voters of the municipality or fire district in which a police officer or  
2 firefighter is employed approve a local referendum to adopt PFRS and  
3 assume the employer's share of any accrued liability for such transfers.

4 This bill provides that a member of PFRS who, as a municipal,  
5 county or State employee, was eligible to become a member of PFRS  
6 and transferred membership from PERS to PFRS pursuant to  
7 P.L.1993, c.247 will receive full credit toward benefits under PFRS for  
8 the transferred PERS service if the member has not received such full  
9 credit prior to the enactment of this bill because the member has not  
10 agreed to pay the full cost of the accrued liability for the transferred  
11 PERS credit.

12 Under the bill, the State will be liable for, and pay directly to  
13 PFRS, the full cost of the accrued liability for the full credit toward  
14 benefits under PFRS for the members specified in the bill less the total  
15 amount equal to the present value of the benefit accrued in PERS by  
16 those members, which amount was transmitted to PFRS at the time of  
17 the membership transfers.

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, Nos. 1503 and 3162**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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ADOPTED JUNE 4, 2001

**Sponsored by:**

**Assemblywoman ROSE MARIE HECK**

**District 38 (Bergen)**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman GEORGE F. GEIST**

**District 4 (Camden and Gloucester)**

**Assemblyman KEVIN J. O'TOOLE**

**District 21 (Essex and Union)**

**Co-Sponsored by:**

**Assemblymen Felice, Blee, Gregg, Assemblywoman Weinberg,  
Assemblyman Pennacchio, Assemblywomen Crecco, Farragher,  
Assemblymen Gibson, Kelly, Merkt, Guear, B.Smith, Assemblywoman  
Greenstein, Assemblymen Wolfe, Barnes, Assemblywoman Buono,  
Assemblymen LeFevre, Garrett, Assemblywomen Myers, Pou,  
Assemblymen Corodemus and Greenwald**

**SYNOPSIS**

Provides full PFRS credit for transferred PERS service of certain PFRS members.

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Assembly Appropriations Committee.



(Sponsorship Updated As Of: 6/22/2001)

1 **AN ACT** concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs, amending P.L.1944, c.255 and supplementing  
4 P.L.1993, c.247 (C.43:16A-3.8 et seq.).

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

8  
9 1. (New section) a. Notwithstanding the provisions of P.L.1993,  
10 c.247 (C.43:16A-3.8 et seq.) to the contrary, a member or retiree of  
11 the Police and Firemen's Retirement System of New Jersey (PFRS),  
12 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who  
13 was eligible to become a member of the PFRS and transferred  
14 membership from the Public Employees' Retirement System of New  
15 Jersey (PERS), established pursuant to P.L.1954, c.84 (C.43:15A-1 et  
16 seq.), to the PFRS pursuant to section 1 of P.L.1993, c.247  
17 (C.43:16A-3.8) shall receive full credit toward benefits under PFRS  
18 for the transferred PERS service.

19 b. The PFRS shall reimburse to any member or retiree who agreed  
20 to pay the full cost of the accrued liability for the transferred PERS  
21 credit as provided in section 3 of P.L.1993, c.247 (C.43:16A-3.10) the  
22 cost of that credit purchase.

23  
24 2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to  
25 read as follows:

26 15. (1) The contributions required for the support of the  
27 retirement system shall be made by members and their employers.

28 (2) The uniform percentage contribution rate for members shall be  
29 8.5% of compensation.

30 (3) (Deleted by amendment, P.L.1989, c.204).

31 (4) Upon the basis of the tables recommended by the actuary  
32 which the board adopts and regular interest, the actuary shall compute  
33 annually, beginning as of June 30, 1991, the amount of contribution  
34 which shall be the normal cost as computed under the projected unit  
35 credit method attributable to service rendered under the retirement  
36 system for the year beginning on July 1 immediately succeeding the  
37 date of the computation. This shall be known as the "normal  
38 contribution."

39 (5) (Deleted by amendment, P.L.1989, c.204).

40 (6) (Deleted by amendment, P.L.1994, c.62.)

41 (7) Each employer shall cause to be deducted from the salary of  
42 each member the percentage of earnable compensation prescribed in  
43 subsection (2) of this section. To facilitate the making of deductions,

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

**Matter underlined thus is new matter.**

1 the retirement system may modify the amount of deduction required  
2 of any member by an amount not to exceed 1/10 of 1% of the  
3 compensation upon which the deduction is based.

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

17 (9) With respect to employers other than the State, upon the basis  
18 of the tables recommended by the actuary which the board adopts and  
19 regular interest, the actuary shall compute the amount of the accrued  
20 liability as of June 30, 1991 under the projected unit credit method,  
21 which is not already covered by the assets of the retirement system,  
22 valued in accordance with the asset valuation method established in  
23 this section. Using the total amount of this unfunded accrued liability,  
24 the actuary shall compute the initial amount of contribution which, if  
25 the contribution is increased at a specific rate and paid annually for a  
26 specific period of time, will amortize this liability. The State Treasurer  
27 shall determine, upon the advice of the Director of the Division of  
28 Pensions and Benefits, the board of trustees and the actuary, the rate  
29 of increase for the contribution and the time period for full funding of  
30 this liability, which shall not exceed 40 years on initial application of  
31 this section as amended by this act, P.L.1994, c.62. This shall be  
32 known as the "accrued liability contribution." Any increase or  
33 decrease in the unfunded accrued liability as a result of actuarial losses  
34 or gains for the 10 valuation years following valuation year 1991 shall  
35 serve to increase or decrease, respectively, the unfunded accrued  
36 liability contribution. Thereafter, any increase or decrease in the  
37 unfunded accrued liability as a result of actuarial losses or gains for  
38 subsequent valuation years shall serve to increase or decrease,  
39 respectively, the amortization period for the unfunded accrued liability,  
40 unless an increase in the amortization period will cause it to exceed 30  
41 years. If an increase in the amortization period as a result of actuarial  
42 losses for a valuation year would exceed 30 years, the accrued liability  
43 contribution shall be computed for the valuation year in the same  
44 manner provided for the computation of the initial accrued liability  
45 contribution under this section.

46 With respect to the State, upon the basis of the tables

1 recommended by the actuary which the board adopts and regular  
2 interest, the actuary shall annually determine if there is an amount of  
3 the accrued liability, computed under the projected unit credit method,  
4 which is not already covered by the assets of the retirement system,  
5 valued in accordance with the asset valuation method established in  
6 this section. This shall be known as the "unfunded accrued liability."  
7 If there was no unfunded accrued liability for the valuation period  
8 immediately preceding the current valuation period, the actuary, using  
9 the total amount of this unfunded accrued liability, shall compute the  
10 initial amount of contribution which, if the contribution is increased at  
11 a specific rate and paid annually for a specific period of time, will  
12 amortize this liability. The State Treasurer shall determine, upon the  
13 advice of the Director of the Division of Pensions and Benefits, the  
14 board of trustees and the actuary, the rate of increase for the  
15 contribution and the time period for full funding of this liability, which  
16 shall not exceed 30 years. This shall be known as the "accrued liability  
17 contribution." Thereafter, any increase or decrease in the unfunded  
18 accrued liability as a result of actuarial losses or gains for subsequent  
19 valuation years shall serve to increase or decrease, respectively, the  
20 amortization period for the unfunded accrued liability, unless an  
21 increase in the amortization period will cause it to exceed 30 years.  
22 If an increase in the amortization period as a result of actuarial losses  
23 for a valuation year would exceed 30 years, the accrued liability  
24 contribution shall be computed for the valuation year in the same  
25 manner provided for the computation of the initial accrued liability  
26 contribution under this section. The State may pay all or any portion  
27 of its unfunded accrued liability under the retirement system from any  
28 source of funds legally available for the purpose, including, without  
29 limitation, the proceeds of bonds authorized by law for this purpose.

30 The value of the assets to be used in the computation of the  
31 contributions provided for under this section for valuation periods  
32 shall be the value of the assets for the preceding valuation period  
33 increased by the regular interest rate, plus the net cash flow for the  
34 valuation period (the difference between the benefits and expenses  
35 paid by the system and the contributions to the system) increased by  
36 one half of the regular interest rate, plus 20% of the difference  
37 between this expected value and the full market value of the assets as  
38 of the end of the valuation period. This shall be known as the  
39 "valuation assets." Notwithstanding the first sentence of this  
40 paragraph, the valuation assets for the valuation period ending  
41 June 30, 1995 shall be the full market value of the assets as of that  
42 date and, with respect to the valuation assets allocated to the State,  
43 shall include the proceeds from the bonds issued pursuant to the  
44 "Pension Bond Financing Act of 1997," P.L.1997, c.114  
45 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey  
46 Economic Development Authority to fund the unfunded accrued

1 liability of the system. Notwithstanding the first sentence of this  
2 paragraph, the percentage of the difference between the expected  
3 value and the full market value of the assets to be added to the  
4 expected value of the assets for the valuation period ending June 30,  
5 1998 for the State shall be 100% and for other employers shall be  
6 57%. Notwithstanding the first sentence of this paragraph, the amount  
7 of the difference between the expected value and the full market value  
8 of the assets to be added to the expected value of the assets for the  
9 valuation period ending June 30, 1999 shall include an additional  
10 amount of the market value of the assets sufficient to fund (1) the  
11 unfunded accrued liability for the supplementary "special retirement"  
12 allowances provided under subsection b. of section 16 of P.L.1964,  
13 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the  
14 full credit toward benefits under the retirement system for service  
15 credited in the Public Employees' Retirement System and transferred  
16 pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the  
17 reimbursement of the cost of any credit purchase pursuant to section  
18 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of  
19 P.L. , c. (C. ) (now pending before the Legislature as this bill).

20 "Excess valuation assets" means, with respect to the valuation  
21 assets allocated to the State, the valuation assets allocated to the State  
22 for a valuation period less the actuarial accrued liability of the State  
23 for the valuation period, and beginning with the valuation period  
24 ending June 30, 1998, less the present value of the expected additional  
25 normal cost contributions attributable to the provisions of P.L.1999,  
26 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members  
27 employed by the State as of the valuation period over the expected  
28 working lives of the active members in accordance with the tables of  
29 actuarial assumptions applicable to the valuation period, if the sum is  
30 greater than zero. "Excess valuation assets" means, with respect to  
31 the valuation assets allocated to other employers, the valuation assets  
32 allocated to the other employers for a valuation period less the  
33 actuarial accrued liability of the other employers for the valuation  
34 period, excluding the unfunded accrued liability for early retirement  
35 incentive benefits pursuant to P.L.1993, c.99 for the other employers,  
36 and beginning with the valuation period ending June 30, 1998, less the  
37 present value of the expected additional normal cost contributions  
38 attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et  
39 al.) payable on behalf of the active members employed by other  
40 employers as of the valuation period over the expected working lives  
41 of the active members in accordance with the tables of actuarial  
42 assumptions applicable to the valuation period, if the sum is greater  
43 than zero.

44 If there are excess valuation assets allocated to the State or to the  
45 other employers for the valuation period ending June 30, 1995, the  
46 normal contributions payable by the State or by the other employers

1 for the valuation periods ending June 30, 1995, and June 30, 1996  
2 which have not yet been paid to the retirement system shall be reduced  
3 to the extent possible by the excess valuation assets allocated to the  
4 State or to the other employers, respectively, provided that with  
5 respect to the excess valuation assets allocated to the State, the  
6 General Fund balances that would have been paid to the retirement  
7 system except for this provision shall first be allocated as State aid to  
8 public schools to the extent that additional sums are required to  
9 comply with the May 14, 1997 decision of the New Jersey Supreme  
10 Court in *Abbott v. Burke*.

11 If there are excess valuation assets allocated to the other employers  
12 for the valuation period ending June 30, 1998, the accrued liability  
13 contributions payable by the other employers for the valuation period  
14 ending June 30, 1997 shall be reduced to the extent possible by the  
15 excess valuation assets allocated to the other employers.

16 If there are excess valuation assets allocated to the State or to the  
17 other employers for a valuation period ending after June 30, 1998, the  
18 State Treasurer may reduce the normal contribution payable by the  
19 State or by other employers for the next valuation period as follows:

20 (1) for valuation periods ending June 30, 1996 through June 30,  
21 2000, to the extent possible by up to 100% of the excess valuation  
22 assets allocated to the State or to the other employers, respectively;

23 (2) for the valuation period ending June 30, 2001, to the extent  
24 possible by up to 84% of the excess valuation assets allocated to the  
25 State or to the other employers, respectively;

26 (3) for the valuation period ending June 30, 2002, to the extent  
27 possible by up to 68% of the excess valuation assets allocated to the  
28 State or to the other employers, respectively; and

29 (4) for valuation periods ending on or after June 30, 2003, to the  
30 extent possible by up to 50% of the excess valuation assets allocated  
31 to the State or to the other employers, respectively.

32 The normal and accrued liability contributions shall be certified  
33 annually by the retirement system and shall be included in the budget  
34 of the employer and levied and collected in the same manner as any  
35 other taxes are levied and collected for the payment of the salaries of  
36 members.

37 (10) The treasurer or corresponding officer of the employer shall  
38 pay to the State Treasurer no later than April 1 of the State's fiscal  
39 year in which payment is due the amount so certified as payable by the  
40 employer, and shall pay monthly to the State Treasurer the amount of  
41 the deductions from the salary of the members in the employ of the  
42 employer, and the State Treasurer shall credit such amount to the  
43 appropriate fund or funds, of the retirement system.

44 If payment of the full amount of the employer's obligation is not  
45 made within 30 days of the due date established by this act, interest at  
46 the rate of 10% per annum shall commence to run against the unpaid

1 balance thereof on the first day after such 30th day.

2 If payment in full, representing the monthly transmittal and report  
3 of salary deductions, is not made within 15 days of the due date  
4 established by the retirement system, interest at the rate of 10% per  
5 annum shall commence to run against the total transmittal of salary  
6 deductions for the period on the first day after such 15th day.

7 (11) The expenses of administration of the retirement system shall  
8 be paid by the State of New Jersey. Each employer shall reimburse the  
9 State for a proportionate share of the amount paid by the State for  
10 administrative expense. This proportion shall be computed as the  
11 number of members under the jurisdiction of such employer bears to  
12 the total number of members in the system. The pro rata share of the  
13 cost of administrative expense shall be included with the certification  
14 by the retirement system of the employer's contribution to the system.

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

21 (13) (Deleted by amendment, P.L.1992, c.125.)

22 (14) Commencing with valuation year 1991, with payment to be  
23 made in Fiscal Year 1994, the Legislature shall annually appropriate  
24 and the State Treasurer shall pay into the pension accumulation fund  
25 of the retirement system an amount equal to 1.1% of the compensation  
26 of the members of the system for the valuation year to fund the  
27 benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1),  
28 as amended by P.L.1979, c.109.

29 (15) If the valuation assets are insufficient to fund the normal and  
30 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8  
31 et al.) as provided hereinabove, the normal and unfunded accrued  
32 liability contributions required to fund these costs for the State and  
33 other employers shall be paid by the State.

34 (cf: P.L.2001, c.4, s.3)

35

36 3. This act shall take effect 90 days following enactment.



**FISCAL NOTE**  
**ASSEMBLY COMMITTEE SUBSTITUTE FOR**  
**ASSEMBLY, Nos. 1503 and 3162**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JULY 2, 2001

**SUMMARY**

**Synopsis:** Provides full PFRS credit for transferred PERS service of certain PFRS members at State cost.

**Type of Impact:** Depletion of excess PFRS assets allocated to the State and local employers.

**Agencies Affected:** Department of Treasury, Division of Pensions and Benefits

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<b>State Cost</b>	\$188 million State and local cost, payable from system assets		
<b>Local Cost</b>	(See Comments Below)		

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! According to the Division of Pensions and Benefits in the Department of the Treasury, the accrued liability for the Police and Firemen's Retirement System (PFRS) enhanced benefits, and the cost for reimbursements, provided for by the bill will be approximately \$188 million.
- ! Bill allows PFRS members and retirees who transferred to PFRS under a 1993 law to receive full benefits under PFRS for PERS service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.
- ! Bill requires recognition of an additional amount of the market value of PFRS assets, for the valuation period ending June 30, 1999, sufficient to fund the accrued liability for the full credit toward benefits under PFRS for PERS service transferred and the reimbursement of the cost of any credit purchase.

**BILL DESCRIPTION**

Assembly Committee Substitute for Assembly Bill Nos. 1503 and 3162 of 2001 allows police officers and firefighters who transferred to the Police and Firemen's Retirement System (PFRS)

under a 1993 law to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the PFRS of all municipal police officers and firefighters, plus certain other law enforcement officers, who were not already in PFRS. Because the employee and employer contribution rates of PFRS are higher than those of PERS (reflecting the PFRS's higher benefits), the legislation provided that a transferring member would receive pro-rated PFRS/PERS benefits upon retirement, unless (1) the member paid to PFRS the full cost (i.e., both the employee's and employer's share) of the accrued liability for the purchased credit, or (2) the voters of the municipality or fire district in which the transferred officer was employed approved a local referendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

This bill provides that a PERS member or retiree who transferred to PFRS under the 1993 law will automatically receive credit toward full benefits under PFRS for the transferred PERS service. In addition, the bill provides that a transferred member or retiree who paid the cost for the establishment of full PFRS credit will be reimbursed for that payment.

The bill requires the PFRS to recognize, for the valuation period ending June 30, 1999, an additional amount of the market value of its assets sufficient to fund the accrued liability for the full credit toward benefits under PFRS for PERS service transferred and the reimbursement of the cost of any credit purchase.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

According to the Division of Pensions and Benefits in the Department of the Treasury, the accrued liability for the enhanced PFRS benefits, and the cost for reimbursements, provided for by this bill will total approximately \$188 million.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) **concurs** with the Executive Branch estimate.

The OLS notes that the use of additional market value of the PFRS assets for the purposes of the bill will make them unavailable to reduce State and local employer contributions in the future.

Section: *State Government*

Analyst: *Aggie Szilagyi*  
*Section Chief*

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

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

P.L. 2001, CHAPTER 201, *approved August 8, 2001*  
Senate Committee Substitute (*First Reprint*) for  
Senate, Nos. 1833 and 189

1 AN ACT concerning the service credit of certain members of the Police  
2 and Firemen's Retirement System of New Jersey and the payment  
3 of certain costs<sup>1</sup>, amending P.L.1944, c.255<sup>1</sup> and supplementing  
4 P.L.1993, c.247 (C.43:16A-3.8 et seq.).

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

8  
9 1. a. Notwithstanding the provisions of P.L.1993, c.247  
10 (C.43:16A-3.8 et seq.) to the contrary, a member <sup>1</sup>or retiree<sup>1</sup> of the  
11 Police and Firemen's Retirement System of New Jersey (PFRS),  
12 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who  
13 was eligible to become a member of the PFRS and transferred  
14 membership from the Public Employees' Retirement System of New  
15 Jersey (PERS), established pursuant to P.L.1954, c.84 (C.43:15A-1 et  
16 seq.), to the PFRS pursuant to section 1 of P.L.1993, c.247  
17 (C.43:16A-3.8) shall receive full credit toward benefits under PFRS  
18 for the transferred PERS service <sup>1</sup>[if the member has not received  
19 such full credit prior to the effective date of this act, P.L. , c.  
20 (C. ) (now pending before the Legislature as this bill), because the  
21 member has not agreed to pay the full cost of the accrued liability for  
22 the transferred PERS credit as provided in section 3 of P.L.1993,  
23 c.247 (C.43:16A-3.10)]<sup>1</sup>.

24 b. The <sup>1</sup>[State shall be liable for, and pay directly to the PFRS, the  
25 full cost of the accrued liability for the full credit toward benefits  
26 under PFRS for the members specified in subsection a. of this section  
27 less the total amount equal to the present value of the benefit under  
28 PERS accrued to the date of transfer to PFRS by those members,  
29 which amount was transmitted to PFRS pursuant to subsection b. of  
30 section 1 of P.L.1993, c.247 (C.43:16A-3.8)] PFRS shall reimburse  
31 to any member or retiree who agreed to pay the full cost of the  
32 accrued liability for the transferred PERS credit as provided in section  
33 3 of P.L.1993, c.247 (C.43:16A-3.10) the cost of that credit  
34 purchase<sup>1</sup>.

35  
36 <sup>1</sup>2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to  
37 read as follows:

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SBA committee amendments adopted March 15, 2001.

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

3       (2) The uniform percentage contribution rate for members shall be  
4 8.5% of compensation.

5       (3) (Deleted by amendment, P.L.1989, c.204).

6       (4) Upon the basis of the tables recommended by the actuary  
7 which the board adopts and regular interest, the actuary shall compute  
8 annually, beginning as of June 30, 1991, the amount of contribution  
9 which shall be the normal cost as computed under the projected unit  
10 credit method attributable to service rendered under the retirement  
11 system for the year beginning on July 1 immediately succeeding the  
12 date of the computation. This shall be known as the "normal  
13 contribution."

14       (5) (Deleted by amendment, P.L.1989, c.204).

15       (6) (Deleted by amendment, P.L.1994, c.62.)

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

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

35       (9) With respect to employers other than the State, upon the basis  
36 of the tables recommended by the actuary which the board adopts and  
37 regular interest, the actuary shall compute the amount of the accrued  
38 liability as of June 30, 1991 under the projected unit credit method,  
39 which is not already covered by the assets of the retirement system,  
40 valued in accordance with the asset valuation method established in  
41 this section. Using the total amount of this unfunded accrued liability,  
42 the actuary shall compute the initial amount of contribution which, if  
43 the contribution is increased at a specific rate and paid annually for a  
44 specific period of time, will amortize this liability. The State Treasurer  
45 shall determine, upon the advice of the Director of the Division of  
46 Pensions and Benefits, the board of trustees and the actuary, the rate

1 of increase for the contribution and the time period for full funding of  
2 this liability, which shall not exceed 40 years on initial application of  
3 this section as amended by this act, P.L.1994, c.62. This shall be  
4 known as the "accrued liability contribution." Any increase or  
5 decrease in the unfunded accrued liability as a result of actuarial losses  
6 or gains for the 10 valuation years following valuation year 1991 shall  
7 serve to increase or decrease, respectively, the unfunded accrued  
8 liability contribution. Thereafter, any increase or decrease in the  
9 unfunded accrued liability as a result of actuarial losses or gains for  
10 subsequent valuation years shall serve to increase or decrease,  
11 respectively, the amortization period for the unfunded accrued liability,  
12 unless an increase in the amortization period will cause it to exceed 30  
13 years. If an increase in the amortization period as a result of actuarial  
14 losses for a valuation year would exceed 30 years, the accrued liability  
15 contribution shall be computed for the valuation year in the same  
16 manner provided for the computation of the initial accrued liability  
17 contribution under this section.

18 With respect to the State, upon the basis of the tables  
19 recommended by the actuary which the board adopts and regular  
20 interest, the actuary shall annually determine if there is an amount of  
21 the accrued liability, computed under the projected unit credit method,  
22 which is not already covered by the assets of the retirement system,  
23 valued in accordance with the asset valuation method established in  
24 this section. This shall be known as the "unfunded accrued liability."  
25 If there was no unfunded accrued liability for the valuation period  
26 immediately preceding the current valuation period, the actuary, using  
27 the total amount of this unfunded accrued liability, shall compute the  
28 initial amount of contribution which, if the contribution is increased at  
29 a specific rate and paid annually for a specific period of time, will  
30 amortize this liability. The State Treasurer shall determine, upon the  
31 advice of the Director of the Division of Pensions and Benefits, the  
32 board of trustees and the actuary, the rate of increase for the  
33 contribution and the time period for full funding of this liability, which  
34 shall not exceed 30 years. This shall be known as the "accrued liability  
35 contribution." Thereafter, any increase or decrease in the unfunded  
36 accrued liability as a result of actuarial losses or gains for subsequent  
37 valuation years shall serve to increase or decrease, respectively, the  
38 amortization period for the unfunded accrued liability, unless an  
39 increase in the amortization period will cause it to exceed 30 years.  
40 If an increase in the amortization period as a result of actuarial losses  
41 for a valuation year would exceed 30 years, the accrued liability  
42 contribution shall be computed for the valuation year in the same  
43 manner provided for the computation of the initial accrued liability  
44 contribution under this section. The State may pay all or any portion  
45 of its unfunded accrued liability under the retirement system from any  
46 source of funds legally available for the purpose, including, without

1 limitation, the proceeds of bonds authorized by law for this purpose.  
2 The value of the assets to be used in the computation of the  
3 contributions provided for under this section for valuation periods  
4 shall be the value of the assets for the preceding valuation period  
5 increased by the regular interest rate, plus the net cash flow for the  
6 valuation period (the difference between the benefits and expenses  
7 paid by the system and the contributions to the system) increased by  
8 one half of the regular interest rate, plus 20% of the difference  
9 between this expected value and the full market value of the assets as  
10 of the end of the valuation period. This shall be known as the  
11 "valuation assets." Notwithstanding the first sentence of this  
12 paragraph, the valuation assets for the valuation period ending  
13 June 30, 1995 shall be the full market value of the assets as of that  
14 date and, with respect to the valuation assets allocated to the State,  
15 shall include the proceeds from the bonds issued pursuant to the  
16 "Pension Bond Financing Act of 1997," P.L.1997, c.114  
17 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey  
18 Economic Development Authority to fund the unfunded accrued  
19 liability of the system. Notwithstanding the first sentence of this  
20 paragraph, the percentage of the difference between the expected  
21 value and the full market value of the assets to be added to the  
22 expected value of the assets for the valuation period ending June 30,  
23 1998 for the State shall be 100% and for other employers shall be  
24 57%. Notwithstanding the first sentence of this paragraph, the amount  
25 of the difference between the expected value and the full market value  
26 of the assets to be added to the expected value of the assets for the  
27 valuation period ending June 30, 1999 shall include an additional  
28 amount of the market value of the assets sufficient to fund (1) the  
29 unfunded accrued liability for the supplementary "special retirement"  
30 allowances provided under subsection b. of section 16 of P.L.1964,  
31 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the  
32 full credit toward benefits under the retirement system for service  
33 credited in the Public Employees' Retirement System and transferred  
34 pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the  
35 reimbursement of the cost of any credit purchase pursuant to section  
36 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of  
37 P.L. , c. (C. ) (now pending before the Legislature as this bill.  
38 "Excess valuation assets" means, with respect to the valuation  
39 assets allocated to the State, the valuation assets allocated to the State  
40 for a valuation period less the actuarial accrued liability of the State  
41 for the valuation period, and beginning with the valuation period  
42 ending June 30, 1998, less the present value of the expected additional  
43 normal cost contributions attributable to the provisions of P.L.1999,  
44 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members  
45 employed by the State as of the valuation period over the expected  
46 working lives of the active members in accordance with the tables of

1 actuarial assumptions applicable to the valuation period, if the sum is  
2 greater than zero. "Excess valuation assets" means, with respect to  
3 the valuation assets allocated to other employers, the valuation assets  
4 allocated to the other employers for a valuation period less the  
5 actuarial accrued liability of the other employers for the valuation  
6 period, excluding the unfunded accrued liability for early retirement  
7 incentive benefits pursuant to P.L.1993, c.99 for the other employers,  
8 and beginning with the valuation period ending June 30, 1998, less the  
9 present value of the expected additional normal cost contributions  
10 attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et  
11 al.) payable on behalf of the active members employed by other  
12 employers as of the valuation period over the expected working lives  
13 of the active members in accordance with the tables of actuarial  
14 assumptions applicable to the valuation period, if the sum is greater  
15 than zero.

16 If there are excess valuation assets allocated to the State or to the  
17 other employers for the valuation period ending June 30, 1995, the  
18 normal contributions payable by the State or by the other employers  
19 for the valuation periods ending June 30, 1995, and June 30, 1996  
20 which have not yet been paid to the retirement system shall be reduced  
21 to the extent possible by the excess valuation assets allocated to the  
22 State or to the other employers, respectively, provided that with  
23 respect to the excess valuation assets allocated to the State, the  
24 General Fund balances that would have been paid to the retirement  
25 system except for this provision shall first be allocated as State aid to  
26 public schools to the extent that additional sums are required to  
27 comply with the May 14, 1997 decision of the New Jersey Supreme  
28 Court in *Abbott v. Burke*.

29 If there are excess valuation assets allocated to the other employers  
30 for the valuation period ending June 30, 1998, the accrued liability  
31 contributions payable by the other employers for the valuation period  
32 ending June 30, 1997 shall be reduced to the extent possible by the  
33 excess valuation assets allocated to the other employers.

34 If there are excess valuation assets allocated to the State or to the  
35 other employers for a valuation period ending after June 30, 1998, the  
36 State Treasurer may reduce the normal contribution payable by the  
37 State or by other employers for the next valuation period as follows:

38 (1) for valuation periods ending June 30, 1996 through June 30,  
39 2000, to the extent possible by up to 100% of the excess valuation  
40 assets allocated to the State or to the other employers, respectively;

41 (2) for the valuation period ending June 30, 2001, to the extent  
42 possible by up to 84% of the excess valuation assets allocated to the  
43 State or to the other employers, respectively;

44 (3) for the valuation period ending June 30, 2002, to the extent  
45 possible by up to 68% of the excess valuation assets allocated to the  
46 State or to the other employers, respectively; and

47 (4) for valuation periods ending on or after June 30, 2003, to the

1 extent possible by up to 50% of the excess valuation assets allocated  
2 to the State or to the other employers, respectively.

3 The normal and accrued liability contributions shall be certified  
4 annually by the retirement system and shall be included in the budget  
5 of the employer and levied and collected in the same manner as any  
6 other taxes are levied and collected for the payment of the salaries of  
7 members.

8 (10) The treasurer or corresponding officer of the employer shall  
9 pay to the State Treasurer no later than April 1 of the State's fiscal  
10 year in which payment is due the amount so certified as payable by the  
11 employer, and shall pay monthly to the State Treasurer the amount of  
12 the deductions from the salary of the members in the employ of the  
13 employer, and the State Treasurer shall credit such amount to the  
14 appropriate fund or funds, of the retirement system.

15 If payment of the full amount of the employer's obligation is not  
16 made within 30 days of the due date established by this act, interest at  
17 the rate of 10% per annum shall commence to run against the unpaid  
18 balance thereof on the first day after such 30th day.

19 If payment in full, representing the monthly transmittal and report  
20 of salary deductions, is not made within 15 days of the due date  
21 established by the retirement system, interest at the rate of 10% per  
22 annum shall commence to run against the total transmittal of salary  
23 deductions for the period on the first day after such 15th day.

24 (11) The expenses of administration of the retirement system shall  
25 be paid by the State of New Jersey. Each employer shall reimburse the  
26 State for a proportionate share of the amount paid by the State for  
27 administrative expense. This proportion shall be computed as the  
28 number of members under the jurisdiction of such employer bears to  
29 the total number of members in the system. The pro rata share of the  
30 cost of administrative expense shall be included with the certification  
31 by the retirement system of the employer's contribution to the system.

32 (12) Notwithstanding anything to the contrary, the retirement  
33 system shall not be liable for the payment of any pension or other  
34 benefits on account of the employees or beneficiaries of any employer  
35 participating in the retirement system, for which reserves have not  
36 been previously created from funds, contributed by such employer or  
37 its employees for such benefits.

38 (13) (Deleted by amendment, P.L.1992, c.125.)

39 (14) Commencing with valuation year 1991, with payment to be  
40 made in Fiscal Year 1994, the Legislature shall annually appropriate  
41 and the State Treasurer shall pay into the pension accumulation fund  
42 of the retirement system an amount equal to 1.1% of the compensation  
43 of the members of the system for the valuation year to fund the  
44 benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1),  
45 as amended by P.L.1979, c.109.

46 (15) If the valuation assets are insufficient to fund the normal and  
47 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8



1 et al.) as provided hereinabove, the normal and unfunded accrued  
2 liability contributions required to fund these costs for the State and  
3 other employers shall be paid by the State.<sup>1</sup>

4 (cf: P.L.2001, c.4, s.3)

5

6 <sup>1</sup>[2.]<sup>1</sup> This act shall take effect <sup>1</sup>[immediately] 90 days  
7 following enactment<sup>1</sup>.

8

9

10

11

12 Provides full PFRS credit for transferred PERS service of certain  
13 PFRS members.

## CHAPTER 201

**AN ACT** concerning the service credit of certain members of the Police and Firemen's Retirement System of New Jersey and the payment of certain costs, amending P.L.1944, c.255 and supplementing P.L.1993, c.247 (C.43:16A-3.8 et seq.).

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

C.43:16A-3.14 Full credit toward PFRS benefits for transferred PERS service.

1. a. Notwithstanding the provisions of P.L.1993, c.247 (C.43:16A-3.8 et seq.) to the contrary, a member or retiree of the Police and Firemen's Retirement System of New Jersey (PFRS), established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), who was eligible to become a member of the PFRS and transferred membership from the Public Employees' Retirement System of New Jersey (PERS), established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), to the PFRS pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) shall receive full credit toward benefits under PFRS for the transferred PERS service.

b. The PFRS shall reimburse to any member or retiree who agreed to pay the full cost of the accrued liability for the transferred PERS credit as provided in section 3 of P.L.1993, c.247 (C.43:16A-3.10) the cost of that credit purchase.

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

C.43:16A-15 Contributions, expenses of administration.

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

(2) The uniform percentage contribution rate for members shall be 8.5% of compensation.

(3) (Deleted by amendment, P.L.1989, c.204).

(4) Upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute annually, beginning as of June 30, 1991, the amount of contribution which shall be the normal cost as computed under the projected unit credit method attributable to service rendered under the retirement system for the year beginning on July 1 immediately succeeding the date of the computation. This shall be known as the "normal contribution."

(5) (Deleted by amendment, P.L.1989, c.204).

(6) (Deleted by amendment, P.L.1994, c.62.)

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

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

(9) With respect to employers other than the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute the amount of the accrued liability as of June 30, 1991 under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. Using the total amount of this unfunded accrued liability, the actuary shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the

Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 40 years on initial application of this section as amended by this act, P.L.1994, c.62. This shall be known as the "accrued liability contribution." Any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for the 10 valuation years following valuation year 1991 shall serve to increase or decrease, respectively, the unfunded accrued liability contribution. Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

With respect to the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. The State may pay all or any portion of its unfunded accrued liability under the retirement system from any source of funds legally available for the purpose, including, without limitation, the proceeds of bonds authorized by law for this purpose.

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1995 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the percentage of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1998 for the State shall be 100% and for other employers shall be 57% plus such additional percentage as is equivalent to \$150,000,000. Notwithstanding the first sentence of this paragraph, the amount of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1999 shall include an additional amount of the market value of the assets sufficient to fund (1) the unfunded accrued liability for the supplementary "special retirement"

allowances provided under subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the full credit toward benefits under the retirement system for service credited in the Public Employees' Retirement System and transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the cost of any credit purchase pursuant to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201 (C.43:16A-3.14).

"Excess valuation assets" means, with respect to the valuation assets allocated to the State, the valuation assets allocated to the State for a valuation period less the actuarial accrued liability of the State for the valuation period, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero. "Excess valuation assets" means, with respect to the valuation assets allocated to other employers, the valuation assets allocated to the other employers for a valuation period less the actuarial accrued liability of the other employers for the valuation period, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1993, c.99 for the other employers, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero.

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending June 30, 1995, the normal contributions payable by the State or by the other employers for the valuation periods ending June 30, 1995, and June 30, 1996 which have not yet been paid to the retirement system shall be reduced to the extent possible by the excess valuation assets allocated to the State or to the other employers, respectively, provided that with respect to the excess valuation assets allocated to the State, the General Fund balances that would have been paid to the retirement system except for this provision shall first be allocated as State aid to public schools to the extent that additional sums are required to comply with the May 14, 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*.

If there are excess valuation assets allocated to the other employers for the valuation period ending June 30, 1998, the accrued liability contributions payable by the other employers for the valuation period ending June 30, 1997 shall be reduced to the extent possible by the excess valuation assets allocated to the other employers.

If there are excess valuation assets allocated to the State or to the other employers for a valuation period ending after June 30, 1998, the State Treasurer may reduce the normal contribution payable by the State or by other employers for the next valuation period as follows:

- (1) for valuation periods ending June 30, 1996 through June 30, 2000, to the extent possible by up to 100% of the excess valuation assets allocated to the State or to the other employers, respectively;
- (2) for the valuation period ending June 30, 2001, to the extent possible by up to 84% of the excess valuation assets allocated to the State or to the other employers, respectively;
- (3) for the valuation period ending June 30, 2002, to the extent possible by up to 68% of the excess valuation assets allocated to the State or to the other employers, respectively; and
- (4) for valuation periods ending on or after June 30, 2003, to the extent possible by up to 50% of the excess valuation assets allocated to the State or to the other employers, respectively.

Notwithstanding the discretion provided to the State Treasurer in the previous paragraph to reduce the amount of the normal contribution payable by employers other than the State, the State Treasurer shall reduce the amount of the normal contribution payable by employers other than the State by \$150,000,000 in the aggregate for the valuation period ending June 30, 1998, and then the State Treasurer may reduce further pursuant to the provisions of the previous paragraph the normal contribution payable by such employers for that valuation period.

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

(10) The treasurer or corresponding officer of the employer shall pay to the State Treasurer no later than April 1 of the State's fiscal year in which payment is due the amount so certified as payable by the employer, and shall pay monthly to the State Treasurer the amount of the deductions from the salary of the members in the employ of the employer, and the State Treasurer shall credit such amount to the appropriate fund or funds, of the retirement system.

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

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

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

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

(13) (Deleted by amendment, P.L.1992, c.125.)

(14) Commencing with valuation year 1991, with payment to be made in Fiscal Year 1994, the Legislature shall annually appropriate and the State Treasurer shall pay into the pension accumulation fund of the retirement system an amount equal to 1.1% of the compensation of the members of the system for the valuation year to fund the benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

(15) If the valuation assets are insufficient to fund the normal and accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8 et al.) as provided hereinabove, the normal and unfunded accrued liability contributions required to fund these costs for the State and other employers shall be paid by the State.

(16) The savings realized as a result of the amendments to this section by P.L.2001, c.44 in the payment of normal contributions computed by the actuary for the valuation periods ending June 30, 1998 for employers other than the State shall be used solely and exclusively by a county or municipality for the purpose of reducing the amount that is required to be raised by the local property tax levy by the county for county purposes or by the municipality for municipal purposes, as appropriate. The Director of the Division of Local Government Services in the Department of Community Affairs shall certify for each year that each county or municipality has complied with the requirements set forth herein. If the director finds that a county or municipality has not used the savings solely and exclusively for the purpose of reducing the amount that is required to be raised by the local property tax levy by the county for county purposes or by the municipality for municipal purposes, as appropriate, the director shall direct the county or municipal governing body, as appropriate, to make corrections to its budget.

3. This act shall take effect 90 days following enactment

Approved August 8, 2001.

# Office of the Governor

PO BOX 004  
TRENTON, NJ 08625

## NEWS RELEASE

CONTACT: Rae Hutton  
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RELEASE: Aug 8, 2001

### Acting Governor Donald T. DiFrancesco signed the following legislation today:

**SCS-1833, 839**, sponsored by Senators Peter Inverso (R-Mercer/Middlesex), Anthony Bucco (R-Morris) and Diane Allen (R-Burlington/Camden) and Assembly members Rose Heck (R-Bergen) and Kevin O'Toole (R-Essex/Union), allows police and firefighters who transferred to the Police and Firemen's Retirement System (PFRS) under a 1993 law to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits.

**A-2118**, sponsored by Senator Leonard Connors (R-Atlantic/Burlington/Ocean) and Assemblymen John Kelly (R-Bergen/Essex/Passaic) and Kevin O'Toole (R-Essex/Union), increases the number of members of the fire safety commission from 21 to 23. The role of the commission is to assist and advise the Commissioner of Community Affairs in the enforcement of the state's fire safety laws.

**A-3050**, sponsored by Assemblymen Neil Cohen (D-Union) and Nia Gill (D-Essex), termed "Leonard Cohen's Law," prohibits a licensed hospital from transferring a patient to another health care facility unless the patient is accompanied by a complete discharge summary from the transferring hospital at the time of the transfer.

**S-2050**, sponsored by Senators Andrew Ciesla (R-Monmouth/Ocean) and Richard Codey (D-Essex) and Assemblyman Alex DeCroce (R-Essex/Morris/Passaic), provides that a court, in its discretion, may award prejudgment interest on the whole or part of a judgment arising out of or relating to claims for the construction or installation of improvements to real property in accordance with principles of equity.

**S-1330**, sponsored by Senators Robert Littell (R-Sussex/Hunterdon/Morris) and Jack Sinagra (R-Middlesex) and Assembly members Nicholas Felice (R-Bergen/Passaic) and Charlotte Vandervalk (R-Bergen), requires health insurers that provide prescription drug coverage to issue standardized pharmacy identification cards to decrease administrative burdens and to streamline the dispensing of prescription drugs and devices.

**A-2913**, sponsored by Senator Joseph Palaia (R-Monmouth) and Assembly members Michael Arnone (R-Monmouth) and Anthony Impreveduto (D-Bergen/Hudson), prohibits "no damage for delay" clauses in certain contracts made with local units under the "Local Public Contracts Law" and the "Public Schools Contracts Law."

**A-1203**, sponsored by Assemblyman Steve Corodemus (R-Monmouth), establishes the World Language Instruction Committee in the Department of Education and provides credit toward

high school graduation requirements for world language courses offered by religious and non-public school organizations.

**A-2204**, sponsored by Senators Diane Allen (R-Burlington/Camden) and Richard Codey (D-Essex) and Assemblymen Frank Blee (R-Atlantic) and Joseph Charles (D-Hudson), renames the Office of Minority Health in the Department of Health and Senior Services (DHSS) as Office on Minority and Multicultural Health and provides additional responsibilities for the office and appropriates \$1.5 million to the new office to implement the bill.

**AJR-35**, sponsored by Assemblymen Joseph Azzolina (R-Middlesex/Monmouth) and Samuel Thompson (R-Middlesex/Monmouth), designates the third Monday in April of each year as "Patriots Day" in New Jersey.