

43:16-1

LEGISLATIVE HISTORY CHECKLIST

NJSA 43:16-1 and 43:16-5 (Consol. Police & Firemen's Pension Fund--
increase pension benefits)

LAWS 1981 CHAPTER 241

Bill No. A930

Sponsor(s) Pellecchia

Date Introduced Feb. 11, 1980

Committee: Assembly State Govt., Federal & Interstate Relations & Veterans Affairs
Senate Revenue, Finance & Appropriations

Amended during passage Yes ~~No~~ Amendments during passage
denoted by asterisks

Date of Passage: Assembly Dec. 8, 1980

Senate June 8, 1981

Date of approval Aug. 3, 1981

Following statements are attached if available:

Sponsor statement	Yes	No	Also attached: Senate amendments, adopted 5-14-81 (with statement)
Committee Statement: Assembly	Yes	No	
Senate	Yes	No	
Fiscal Note	Yes	No	
Veto Message	Yes	No	
Message on signing	Yes	No	

Following were printed:

Reports	Yes	No
Hearings	Yes	No

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ASSEMBLY, No. 930

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 11, 1980

By Assemblyman PELLECCIA

Referred to Committee on State Government, Federal and
Interstate Relations and Veterans Affairs

AN ACT increasing the service retirement pensions of certain
members of the Consolidated Police and Firemen's Pension Fund
and amending R. S. 43:16-1 and R. S. 43:16-5.

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

1 1. R. S. 43:16-1 is amended to read as follows:

2 43:16-1. In all municipalities any active member of a police
3 department or of a paid or part-paid fire department or of a county
4 police department including active members of the paid or part-paid
5 fire departments of any fire district located in any township which
6 has adopted the provisions of an act entitled "An act providing
7 for the retirement of policemen and firemen of the police and fire
8 departments in municipalities of this State, including all police
9 officers having supervision or regulation of traffic upon county
10 roads, and providing a pension for such retired policemen and
11 firemen and members of the police and fire departments, and the
12 widows, children and sole dependent parents of deceased members
13 of said department," approved April 15, 1920 (P. L. 1920, c. 160)
14 or of chapter 16 of Title 43 of the Revised Statutes, who shall have
15 served honorably in the police or fire department for a period of
16 25 years, or any employee member of any such department who
17 shall have served honorably in such department for a period of
18 25 years and who has reached the age of 60 years shall, on his own
19 application, be retired on a service retirement pension equal to
20 **[one-half]** 60% of his average salary. Any active member of the
21 police or paid or part-paid fire department including active mem-
22 bers of the paid or part-paid fire department of any fire district as
23 aforesaid who shall have served honorably for a period of 25 years

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

24 and reached the age of 65 years and any employee member of any
 25 such department who shall have served honorably in such depart-
 26 ments for a period of 25 years and reached the age of 70 years
 27 shall be retired on a service retirement pension equal to **one-half**
 28 **60%** of his average salary.

29 The amount of the service retirement pension of any member
 30 of such police or paid or part-paid fire department, who has served
 31 for more than 25 years and who retires after the effective date of
 32 this ***[1980]* *1981*** amendatory act, shall be increased by an
 33 amount equal to **[2%] 1%** of his average salary for each year of
 34 service in excess of 25 years but not more than 30 years and 1% of
 35 his average salary for each year of service in excess of 30 years
 36 rendered prior to his reaching age 65.

1 2. R. S. 43:16-5 is amended to read as follows:

2 43:16-5. For the purpose of paying the pensions provided by this
 3 chapter, all pension funds heretofore created and in existence pur-
 4 suant to the provisions of an act entitled "An act providing for the
 5 retirement of policemen and firemen of the police and fire depart-
 6 ments in municipalities of this State, including all police officers
 7 having supervision or regulation of traffic upon county roads, and
 8 providing a pension for such retired policemen and firemen and
 9 members of the police and fire departments, and the widows, chil-
 10 dren and sole dependent parents of deceased members of said
 11 departments," approved April 15, 1920 (P. L. 1920, c. 160), and
 12 chapter 16 of Title 43 of the Revised Statutes, shall, from and after
 13 July 1, 1953, be consolidated, and, as so consolidated, shall be trans-
 14 ferred to and placed under the Consolidated Police and Firemen's
 15 Pension Fund created by the provisions of this chapter. All rights
 16 and privileges created and extended to members of a municipal
 17 police department or of a paid or part-paid fire department or of a
 18 county police department, including members of the paid or part-
 19 paid fire department of any fire district located in any township
 20 which has adopted said act or said chapter of the Revised Statutes
 21 are hereby expressly preserved, continued and transferred from
 22 said pension funds to said consolidated fund. Nothing herein con-
 23 tained shall be deemed to affect or impair the right of any bene-
 24 ficiary of any of the funds so created, but all rights of such
 25 beneficiaries which have accrued or may accrue in or against any
 26 such pension fund shall be deemed to have accrued or to accrue
 27 against the funds so consolidated. Said consolidated fund shall be
 28 maintained as follows:

29 (a) There shall be deducted from every payment of salary to
 30 each member, as defined in the supplement to this chapter enacted

31 by laws of 1944, c. 253, s. 12, as amended and supplemented, and
32 paid into said consolidated fund ~~【6%】~~ 7% of the amount thereof.

33 (b) All employers, as defined in the supplement to this chapter
34 enacted by laws of 1944, c. 253, s. 12, as amended and supplemented,
35 shall contribute to the said consolidated fund in the following man-
36 ner and amounts :

37 (1) An amount equal to 6% of the total of salaries annually
38 paid to the members of the consolidated fund under said em-
39 ployer's jurisdiction, which shall be known as the employer's
40 normal contribution, and which shall be paid into said fund on
41 July 1 of each year, commencing July 1, 1953.

42 (2) An additional amount annually for a period of 30 years,
43 commencing July 1, 1953, equal to $66\frac{2}{3}\%$ of the share of the
44 particular employer of the annual amortization payment de-
45 termined by the actuary to be required to bring the fund to a
46 state of actuarial solvency at the end of the said 30-year period.
47 In determining an employer's share of said annual amortiza-
48 tion payment, the actuary shall determine separately, and give
49 due credit to the value of the assets transferred by such em-
50 ployer to said consolidated fund. The amount of each of such
51 annual payments shall be certified by the fund to the treasurer
52 of each employer prior to the first day of the year in which such
53 payment is required to be made, and said amount shall be
54 appropriated in said employer's budget for that year. Said
55 annual payment, which shall be known as the employer's
56 accrued liability contribution, shall be made in two equal por-
57 tions; the first on the first day of each year, and the second on
58 July 1 of each year.

59 (3) An additional amount to be paid each year following the
60 termination of the 30-year period provided for in subsection
61 (b) (2) of this section, sufficient to meet the requirements of the
62 fund.

63 (4) A fee, payable on July 1 of each year and consisting of
64 such proportion of the administrative expense of the consoli-
65 dated fund as the number of active and retired members under
66 the jurisdiction of such employer, or their beneficiaries, then
67 bears to the total number of active and retired members and
68 beneficiaries in the consolidated fund.

69 (c) The State of New Jersey shall contribute annually, through-
70 out a period of 20 years, commencing July 1, 1972, such amount as
71 may be necessary to make up the balance of the accrued liability of
72 the consolidated fund. The amount of such annual contributions by
73 the State shall be certified to the State Treasurer by the actuary

74 at the time required for other State departmental budgetary
75 certifications. All funds necessary to meet the State's share of said
76 annual payments shall be included in the annual State budget and
77 appropriated by the Legislature.

78 (d) If payment of the full amount of the employer's obligation
79 is not made within 30 days of the due date established by the act,
80 interest at the rate of 6% per annum shall commence to run against
81 unpaid balance thereof on the first day after such thirtieth day.

82 If payment in full, representing the monthly transmittal and re-
83 port of salary deductions, is not made within 15 days of the due date
84 established by the pension fund, interest at the rate of 6% per
85 annum shall commence to run against the total transmittal of salary
86 deductions for the period on the first day after such fifteenth day.

87 (e) The accrued liability contribution of any employer shall be
88 payable by the employer for the entire period of the financing of
89 such liability and shall continue to be due and owing to the fund
90 even when there are no longer any beneficiaries entitled to benefits.

91 (f) *Notwithstanding any ***[thing]*** *provision of chapter 16 of*
91A *Title 43 of the Revised Statutes* to the contrary, the Legislature*
92 *shall annually appropriate and the State Treasurer shall pay into*
93 *the consolidated fund an amount calculated by the actuary to pro-*
94 *vide for the additional liability required to fund the benefits pro-*
95 *vided by this amendatory act. Any saving realized by the pension*
96 *fund as a result of any future increase in "regular interest" as*
97 *determined annually by the State Treasurer shall be applied by the*
98 *actuary towards meeting the cost of this additional liability.*

1 3. This act shall take effect ***[immediately]*** *and shall be retro-*
2 *active to November 1, 1980*.*

76 annual payments shall be included in the annual State budget and
77 appropriated by the Legislature.

78 (d) If payment of the full amount of the employer's obligation
79 is not made within 30 days of the due date established by the act,
80 interest at the rate of 6% per annum shall commence to run against
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83 port of salary deductions, is not made within 15 days of the due date
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87 (e) The accrued liability contribution of any employer shall be
88 payable by the employer for the entire period of the financing of
89 such liability and shall continue to be due and owing to the fund
90 even when there are no longer any beneficiaries entitled to benefits.

91 *(f) Notwithstanding any thing to the contrary, the Legislature*
92 *shall annually appropriate and the State Treasurer shall pay into*
93 *the consolidated fund an amount calculated by the actuary to pro-*
94 *vide for the additional liability required to fund the benefits pro-*
95 *vided by this amendatory act. Any saving realized by the pension*
96 *fund as a result of any future increase in "regular interest" as*
97 *determined annually by the State Treasurer shall be applied by the*
98 *actuary towards meeting the cost of this additional liability.*

1 3. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to increase the retirement pension paid to members of the Consolidated Police and Firemen's Pension Fund who retire for reasons of age or service. Under this bill, the pension benefits payable to members retiring for reasons of age or service will increase from 50% to 60% of salary based upon 25 years of service plus 1% of salary for each year up to 30 years, plus 1% of salary for each year of service in excess of 30 years rendered prior to attaining age 65.

To finance the additional liabilities created by this bill, the rate of contribution for members will be increased from 6% of salary to 7%. The State will assume the balance of the cost not financed by increased employee contributions. The bill authorizes the State Treasurer to apply any savings realized from any future adjustment in the regular interest rate to financing the cost of this bill.

This bill brings the benefits paid for retirement based upon 25 or more years of service from this fund into conformity with the recent change in retirement benefits provided for in P. L. 1979, c. 109 for members of the Police and Firemen's Retirement System.

A 930 (1981)

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SENATE AMENDMENTS TO
ASSEMBLY, No. 930

STATE OF NEW JERSEY

ADOPTED MAY 14, 1981

Amend page 2, section 1, line 32, omit "1980", insert "1981".

Amend page 4, section 2, line 91, omit "thing", insert "provision of chapter 16 of the Title 43 of the Revised Statutes".

Amend page 4, section 3, line 1, after "immediately", insert "and shall be retroactive to November 1, 1980".

STATEMENT

This amendment makes the effect of the act retroactive to November 1, 1980.

ASSEMBLY STATE GOVERNMENT, FEDERAL AND
INTERSTATE RELATIONS AND VETERANS AFFAIRS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 930

STATE OF NEW JERSEY

DATED: OCTOBER 30, 1980

The purpose of this bill is to bring the benefits paid to members of the Consolidated Police and Firemen's Pension Fund who retire after 25 years into conformity with the benefits paid to members of the Police and Firemen's Retirement System who retire after 25 years pursuant to P. L. 1979, c. 109.

Under this bill, qualified members of the consolidated fund can retire at 60% of salary (rather than the present 50%), with an additional 1% (rather than the present 2%) of salary for each year after 25 years up to 30 years and 1% for each year in excess of 30 years rendered prior to attaining age 65. Thus, an individual with 38 years of service, which is approximately the median number of years for current members, would receive 73% of his salary rather than 68% under the present formula. (Retirement at 65 is mandatory for policemen and firemen in this retirement system.)

To finance the additional liabilities created by this bill, the rate of contribution for members will be increased from 6% of salary to 7%, and the State will assume the balance of the cost not financed by increased employee contributions. The bill authorizes the State Treasurer to apply any savings realized from any future adjustment in the regular interest rate to financing the cost of this bill.

The State presently pays $\frac{1}{3}$ of the cost of this retirement system and local governments $\frac{2}{3}$. According to the Division of Pensions, the additional cost to the State of financing the additional liability created by this bill will be \$355,860.00 annually for the next three years (until the original term of funding this system ends in 1983). This figure, however, is based on active membership of 131 members as of December 31, 1978. As of July 1, 1980, there were 61 active members in this system, so presumably this cost would be reduced (although, of course, increasing salaries during the next few years will increase the retirement allowances of the remaining active members).

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SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 930

STATE OF NEW JERSEY

DATED: FEBRUARY 23, 1981

This bill brings the benefits paid for retirement based upon 25 or more years of service from the "Consolidated Police and Firemen's Pension Fund" into conformity with the recent changes in retirement benefits for members of the "Police and Firemen's Retirement System."

The fiscal note on this bill represents a balanced discussion of the provisions and costs of this bill. The resolution of the funding period, and therefore annual cost, as discussed in the fiscal note will be determined in the appropriations process.

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FISCAL NOTE TO
ASSEMBLY, No. 930

STATE OF NEW JERSEY

DATED: DECEMBER 11, 1980

Assembly Bill No. 930 of 1980 increases the retirement pension paid to members of the Consolidated Police and Firemen's Pension Fund who retire for reasons of age or service.

The Division of Pensions comments:

"The Consolidated Fund was established in 1953 to meet the liabilities of 212 locally-administered retirement systems for policemen and firemen; the State pays $\frac{1}{3}$ of the cost and local governments the remaining $\frac{2}{3}$. Membership in this system has been closed as early as July 1944 with the establishment of the Police and Firemen's Retirement System established on a funded basis. Since 1953 State and local governments have been making the contributions on the original 30-year financing of the debt and these costs have increased significantly because (1) salaries have increased resulting in benefits appreciably greater than anyone could have contemplated in 1953 and (2) liberalizations in benefits specifically in the benefits provided to members with more than 25 years of service and to widows where the minimum benefit has been increased 250 percent. In addition, local governments have had to pay the increase in cost of the Pension Adjustment Program which has reflected the higher benefits provided by the system both to pensioners and to their survivors.

"As the system was closed in 1944, the last enrolled member would have 36 years of service in 1980 while many of the remaining members have over 40 years of service. If we allow for a median number of years, such as 38, while the current benefit provides 68 percent of final average salary, the change resulting from this legislation will increase the benefit to 73 percent, an increase of 7.4 percent. As of December 31, 1978, the actuary estimates the value of service benefits at \$13.3 million so that such an increase would require the funding of an additional liability of \$980,960. If we subtracted the median value of the additional 1 percent contribution or \$2,707 the net liability remains at \$978,253 and if this is amortized over the remaining period, the annual payment would be \$355,860. On the basis of this legislation the State will pay this money annually.

"With respect to any saving that might be possible as a result of the increase in the interest assumption, it must be understood that the

Consolidated Police and Firemen's Pension Fund does not stand financial posture as the Police and Firemen's Retirement System. The monies which have been provided by State and local governments in the last 30 years have been set aside to meet the specific liabilities of a system where there are very few remaining active members while most of the population are receiving benefits either as pensioners or as survivors. Likewise, the investment of these monies have been subject to the constraint that they must be liquidated eventually to meet the liabilities of the retired population and hence there has been a very conservative funding of these liabilities as well as a conservative investment of the resulting assets so that interest assumption has been $4\frac{1}{2}$ percent for some time. If the interest assumption is increased, this would result in less money to the system and consequently there would be insufficient funds necessary to meet the liabilities of the program, whether the benefits remain as they are or as liberalized as a result of this legislation. Thus the alleged saving that might be possible by an increase in the interest assumption is not feasible in this program.

"In addition, any increase in the benefit schedule will result in proportionate increases in the Pension Adjustment Program paid by local governments."

The Office of Legislative Services comments:

"The Division of Pensions' fiscal note statement for Assembly Bill No. 930 is based upon the actuarial valuation of the system as of December 31, 1978, the last valuation for which complete results were available when the estimate was prepared. At that time there were 131 remaining active members of the Consolidated Police and Firemen's Pension Fund. Since then, the active membership has continued to decrease, thereby lowering the number of members who would be able to take advantage of this bill, and also lowering the cost of the bill. For instance, as of December 31, 1979 there were only 88 active members, and this had been further reduced to 56 active members by November 1, 1980, according to the Division of Pensions.

"Based on the lower remaining number of active members, the present value of service benefits is estimated by the Office of Legislative Services to be approximately \$7 million, rather than the \$13.3 million cited in the fiscal note statement. Therefore, an average increase in benefits of 7.4 percent resulting from this bill would add a liability of \$518,000 to the system. If this is amortized over 3 years, and allowing for the value of a 1 percent increase in employee contributions, the annual cost to the State would be approximately \$170,000. If the cost is amortized over the remaining period of the State's liability payments to the system—scheduled to end in FY 1992—the annual cost would be approximately \$55,000 per year over the longer period.

“Since this bill is not effective retroactively, the costs of Assembly Bill No. 930 will continue to decrease until enactment, as the active membership of the Consolidated Police and Firemen’s Fund continues to decline.”

In compliance with written request received, there is hereby submitted a fiscal estimate for the above bill, pursuant to P. L. 1980, c. 67.

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

AUGUST 3, 1981

KATHRYN FORSYTH
DAVID DeMAIO

Governor Brendan Byrne today signed the following bills:

A-930, sponsored by Assemblyman Vincent Ozzie Pellechia (D-Passaic), increases the retirement benefits for members of the Consolidated Police and Firemen's Fund from 50% to 60% of average final compensation after 25 years of service.

It transfers the cost of funding the increased liability for the local employer to the State and other members of the system, and establishes a formula which limits the maximum benefits for those working past 25 years (and who retire after 30 years) to 65% of the average final compensation.

The Consolidated Police and Firemen's Fund has been closed to new members since 1944.

The bill enacted today is similar to the measure signed in 1979 for members of the Police and Firemen's Retirement System.

A-1943, sponsored by Assemblyman James Bornheimer (D-Middlesex), lifts the borrowing limit on mutual fire insurance companies that issue non-assessable policies.

Since 1902, mutual fire insurance companies could borrow up to \$25,000 to pay for losses and assess its policyholders to pay for sums borrowed. Mutual fire companies in New Jersey are permitted by law to sell policies with such provisions, but have not issued any since the 1930's.

The \$25,000 borrowing limit, which was intended to limit the assessments that could be imposed on policyholders, places companies at a disadvantage when competing with foreign mutual companies operating in the State and is unnecessary since insurers no longer issue assessable policies.

Borrowing and other fiscal affairs of mutual fire insurance companies will continue to be subject to examination by the Department of Insurance.